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Operational activities of the United Nations for international development cooperation

Analysis of the funding of operational activities for development of the United Nations system for 2008

Report of the Secretary-General

Summary

In 2008, total contributions to operational activities for development of the United Nations system amounted to some $22.2 billion, the highest level ever and 10 per cent more in real terms than in 2007. About 61 per cent of funding was directed to longer-term development-related activities, as against 39 per cent to those with a humanitarian assistance focus.

In the period from 1993 to 2008, total contributions for operational activities for development grew at a faster pace than overall official development assistance flows from Organization for Economic Cooperation and Development (OECD)/Development Assistance Committee (DAC) countries (excluding debt relief). The funding base broadened during the period, with the share of non-OECD/DAC countries increasing from 7 to 12 per cent and the share of intergovernmental, non-governmental and private sources from 13 to 26 per cent. As a result, the share of direct contributions by OECD/DAC countries to operational activities for development of the United Nations system declined from 80 to 62 per cent.

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Some 36 per cent of all direct contributions by OECD/DAC countries to the multilateral system were channelled through the United Nations development system. The United Nations system was the largest multilateral partner of DAC countries and seems to have gained in importance.

Some 29 per cent of funding for operational activities for development in 2008 was in the form of unrestricted core resources, with the remaining 71 per cent in the form of non-core contributions, which are characterized by varying degrees of restrictions with regard to their application and use.

In the period from 1993 to 2008, the imbalance between core and non-core funding increased, with non-core funding almost tripling in real terms against a very modest increase of 5 per cent in core resources flows. Accordingly, while growth in non-core funding has been exponential, this increase has not been at the expense of core resources contributions to the United Nations development system.

Almost all increases in contributions by non-DAC countries have been in the form of restricted non-core funding, including as local resources contributions for application in the contributing programme countries themselves. Increases in funding by intergovernmental, non-governmental and private sources have also been mostly in the form of non-core resources.

With regard to the financing of development-related activities, as against those with a humanitarian assistance focus, non-core contributions increased nearly fivefold, in real terms, between 1993 and 2008, while core funding grew only by 2 per cent. As a result, the core component of funding for development-related activities declined from 70 per cent in 1993 to 34 per cent in 2008. The average core ratio for OECD/DAC countries as a group was 47 per cent in 2008, compared with 74 per cent in 1993.

A preliminary review of actual programme expenditures at the regional and programme country level vis-à-vis overall contributions seems to confirm that core resources, compared to non-core contributions, continue to cover a higher share of United Nations institutional costs and programme activities that have a more global and interregional character.

Some 91 per cent of non-core funding for development-related activities in 2008 was single-donor and programme- and project-specific, thereby contributing to the fragmentation of resources flows, with a consequent impact on overall programme coherence, efficiencies and transaction costs. Newly developed pooled funding mechanisms such as multi-donor trust funds, including One UN Funds at the country level and thematic funds, have only recently begun to play a role in the overall financing of operational activities for development. About 9 per cent of non-core funding for development-related activities in 2008 was programmed through such pooled funding mechanisms.

A review of contributions to the United Nations Development Programme and the United Nations Children's Fund suggests that annual fluctuations in core contributions (as an indicator for assessing the predictability of funding flows) did not have a negative impact on the overall steady growth in available core resources in the 2000 to 2008 period. Fluctuations in exchange rates had orders of magnitude similar to fluctuations in the United States dollar equivalent of contributions made in national currencies.

Multi-year planning and financing frameworks represent a key instrument for the promotion of predictability, stability and coherence in the work of United Nations entities. The extent to which such frameworks contribute to the predictability of core funding, however, depends on their comprehensiveness and quality as well as the degree to which donors shift from single-year pledges to committing resources over an extended period of time.

The extent to which core financing of development-related activities is unevenly shared remains an issue, including among OECD/DAC countries. Ten OECD/DAC countries accounted for some 63 per cent of total core resources for development-related activities in 2008, with a significant difference in individual contributions if measured as a share of gross national income. If all OECD/DAC countries had contributed in 2008 in accordance with the existing median for development-related funding as a target, this would have yielded additional core resources of between 14 and 46 per cent compared with current levels. Some 64 per cent of this increase could be financed by shifting non-core funding to core contributions by the countries concerned.

There is concern that the growth seen in contributions to the United Nations system over the past five years could stagnate, or possibly reverse, in 2010, owing to the negative impact of the global economic crisis.

Total expenditures in 2008 were $18.6 billion, with 63 per cent development-related and 37 per cent concerning activities with a humanitarian assistance focus. Africa accounted for 32 per cent of development-related expenditures and 50 per cent of those with a humanitarian assistance focus.

The concentration of United Nations operational activities for development overall has changed in the past few years, with more than 50 per cent of country-level expenditures in 2008 in least developed countries compared with 39 per cent in 2003. Some 82 per cent of core resources were spent in low-income countries, compared with 73 per cent for non-core contributions, in 2008. That difference seems to confirm the varying degree to which the use and application of core and non-core resources is subject to and aligned with the mandates and priorities established by governing bodies.

With five entities accounting for 75 per cent of expenditures in 2008, operational activities for development are concentrated in a small number of United Nations entities. Funds and programmes accounted for 77 per cent of expenditures in 2008 and specialized agencies and others for 23 per cent.

Proposals for strengthening the funding architecture of operational activities for development

"*The General Assembly*,

(...)

"*Requests the Secretary-General to include in his comprehensive statistical analysis of the financing of operational activities for development further analysis and actionable proposals on the current situation and perspectives in respect of core and non-core funding for the United Nations development system, notably the implications of various forms of non-core funding, in terms of predictability, country ownership and the implementation of intergovernmental mandates" (resolution 63/311, para. 15).*

In accordance with the mandate set out in General Assembly resolution 63/311, the following proposals are addressed to key stakeholders of the United Nations development system with a view to strengthening the funding architecture of operational activities for development. Some of them have to be seen in the context of the ongoing negotiations of the General Assembly on system-wide coherence.

Governing bodies

(a) To review/examine the issues relating to core and non-core resources flows as generally identified and analysed in the present report in the specific context of the respective entities, on the basis of a strong commitment to advancing coherence, effectiveness and efficiency and with a view to identifying common policy issues, options and directives for subsequent review and guidance at the level of the General Assembly and the Economic and Social Council;

(b) In this connection, the Executive Boards of the funds and programmes to further review how to define the concept and appropriate level of a so-called critical mass of core resources required for each entity to deliver on the results defined in the respective strategic plans, including administrative, management and programme costs;

(c) The Executive Boards of the funds and programmes and the governing bodies of specialized agencies to regularly review the use and application of non-core resources flows to ensure that such funding is continually aligned with the established mandates and priorities of the respective United Nations entities;

(d) The Executive Boards of the funds and programmes and the governing bodies of specialized agencies to regularly review the extent to which costs associated with support for and the administration and management of non-core resources negatively affect the level of core resources that can be programmed at the regional and country levels.

Donor countries

(a) To establish forward-looking indicative planning of contributions to entities of the United Nations development system, in particular with regard to core resources, with a view to advancing the predictability of resources flows;

(b) To consider, where applicable, revising the relevant legislative and budgetary provisions at the national level to allow for multi-year core funding commitments to entities of the United Nations development system;

(c) To commit to maximizing the use of pooled non-core funding modalities such as multi-donor trust funds, including global, regional and country-level pooled funds and thematic funds, as a means of enhancing the coherence, effectiveness and efficiency of operational activities for development;

(d) To ensure that non-core funding is fully aligned with existing United Nations development assistance frameworks at the country level as well as the strategic plans of United Nations entities as developed in close consultation with and approved by the respective governing bodies;

(e) To commit to reducing the administrative burden on entities of the United Nations development system by harmonizing reporting requirements on the use and application of non-core contributions.

Programme countries

(a) To ensure that the programming and management of operational activities for development, including those funded from non-core resources, is fully aligned with agreed-upon and nationally owned development assistance frameworks;

(b) To strengthen participation in the Executive Boards of the funds and programmes, the governing bodies of specialized agencies and the General Assembly and the Economic and Social Council.

United Nations entities

(a) To ensure that they are the partners of choice for attracting increased core/unearmarked resources by vigorously pursuing the goal of enhanced coherence, effectiveness and efficiency of operational activities for development at the country level;

(b) In this connection, to strengthen existing results-based planning systems, including multi-year funding frameworks, with a view to improving the predictability, stability, flexibility and adequacy of resources flows;

(c) To strengthen financial reporting on operational activities for development:

(i) The Secretary-General, building on the progress made in the context of the present report, to continue to broaden and improve the coverage, timeliness, reliability, quality and comparability of system-wide funding data, definitions and classifications for financial reporting on operational activities for development;

(ii) In this connection, to further strengthen reporting on the use and application of non-core pooled funding mechanisms such as multi-donor trust funds, including at the global, regional and country levels;

(iii) United Nations entities to report annually to their respective governing bodies on the use and application of pooled funding mechanisms, including on the aspects of programme support and management and administration;

(iv) The Secretary-General to further review methods for and approaches to assessing the predictability and fragmentation of funding for operational activities for development, and the degree of burden-sharing in this regard, in particular as it relates to core resources.

List of Acronyms

DAC	Development Assistance Committee
EC	European Commission
ECA	Economic Commission for Africa
ECE	Economic Commission for Europe
ECLAC	Economic Commission for Latin America and the Caribbean
ESCAP	Economic and Social Commission for Asia and the Pacific
ESCWA	Economic and Social Commission for Western Asia
FAO	Food and Agriculture Organization of the United Nations
GNI	Gross national income
IAEA	International Atomic Energy Agency
ICAO	International Civil Aviation Organization
IDA	International Development Association
IFAD	International Fund for Agricultural Development
ILO	International Labour Organization
IMO	International Maritime Organization
IOM	International Organization for Migration
ITC	International Trade Centre (UNCTAD)
ITU	International Telecommunication Union
OECD	Organization for Economic Cooperation and Development
OHCHR	Office of the United Nations High Commissioner for Human Rights
UNAIDS	Joint United Nations Programme on HIV/AIDS
UNCDF	United Nations Capital Development Fund
UNCTAD	United Nations Conference on Trade and Development
UNDAF	United Nations Development Assistance Framework
UNDCP	United Nations International Drug Control Programme
UNDG	United Nations Development Group
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UN-Habitat	United Nations Human Settlements Programme
UNHCR	Office of the United Nations High Commissioner for Refugees

UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
UNIFEM	United Nations Development Fund for Women
UNITAR	United Nations Institute for Training and Research
UNODC	United Nations Office on Drugs and Crime
UNOPS	United Nations Office for Project Services
UNRWA	United Nations Relief and Works Agency for Palestine Refugees in the Near East
UNV	United Nations Volunteers
UPU	Universal Postal Union
WFP	World Food Programme
WHO	World Health Organization
WIPO	World Intellectual Property Organization
WMO	World Meteorological Organization

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I. Introduction

1. In accordance with General Assembly resolutions 35/81, 59/250, 62/208, 63/232 and 63/311, the annual financial report on operational activities for development has been refined and improved. Several innovations have been introduced in recent years so as to improve the coverage and comparability of the data contained in the report. The present report builds on those efforts by further strengthening the analysis of the sources, modalities and destination of funding for operational activities for development, with a special focus on non-core resources flows.

2. Several additional steps are also being planned to enhance the coverage, quality, timeliness, comparability and analytical rigour of financial information on operational activities for development (see annex I for additional details on current plans to improve financial reporting).

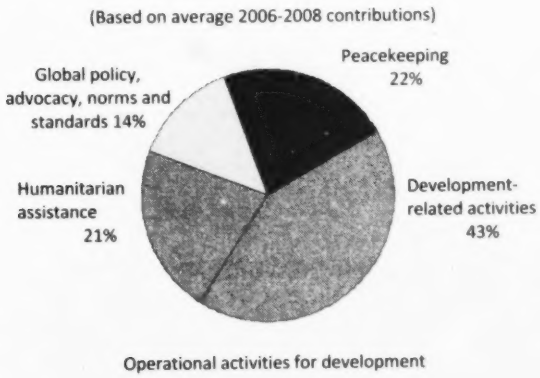
3. The present report consists of six main sections: (a) a summary (including "actionable proposals" as requested by the General Assembly in its resolution 63/311); (b) introduction; (c) overview; (d) resources: income and contributions; (e) resources: use and destination; and (f) other issues.

4. The analysis set out in the present report builds on information provided by the 36 United Nations system entities that received funding for operational activities for development in 2008. The report also builds on the analytical work undertaken in the preparation of an informal funding note submitted by the Secretary-General in March 2010 to facilitate an intergovernmental dialogue of the General Assembly on system-wide coherence.

Operational activities for development

5. Operational activities for development represent some 64 per cent of all system-wide activities of the United Nations. The remaining 36 per cent is accounted for by peacekeeping and those activities that concern the global policy, advocacy, norms and standard-setting functions of the United Nations system and research, analytical and public information activities associated therewith (see fig. 1).

Figure I
United Nations system-wide activities



6. Operational activities for development cover both longer-term development-related activities and activities with a humanitarian assistance focus; they relate to the work of those United Nations funds, programmes, specialized agencies, departments and offices that have a specific mandate in this regard. The analysis set out in the present report focuses on activities with a particular focus on development.[1]

Core and non-core resources

7. In response to paragraph 15 of General Assembly resolution 63/311 in particular, the present report contains a further analysis and actionable proposals on the current situation and perspectives in respect of so-called core and non-core funding for the operational activities for development of the United Nations system, notably the implications of various forms of non-core funding, in terms of predictability, country ownership and the implementation of intergovernmental mandates.

8. In this connection, it is important to note that a wide array of terms is used by United Nations system entities to classify types of funding for operational activities for development. For the purposes of the present report, the main types are classified as "core" and "non-core" resources (see also annex II for further information on sources and coverage).

9. Core resources are those that are commingled without restrictions and whose use and application is directly linked to the strategic mandates, guidelines, priorities and goals established by the respective intergovernmental governing bodies.

10. Non-core resources, as determined by the contributing source, are resources that are generally restricted with regard to their use and application. The degree to which the use and application of non-core resources are subject to and aligned with the mandates, guidelines, priorities and goals established by the respective intergovernmental governing bodies is generally more indirect.

11. Core, or unrestricted, aid, is generally seen as a more efficient way of building effective partnerships with programme countries in the delivery of operational activities for development. Restricted aid in the form of non-core resources, on the other hand, is often seen as limiting the degree to which programme countries themselves are involved in the selection, design and implementation of projects and programmes.

12. Financing in the form of non-core resources currently accounts for some 71 per cent of total contributions (based on 2008 data) and has grown significantly over time.

[1] Operational activities for development with a humanitarian focus are calculated by including 27 per cent of all contributions to the United Nations Children's Fund and 100 per cent of all contributions to the World Food Programme, Office of the United Nations High Commissioner for Refugees, United Nations Relief and Works Agency for Palestine Refugees in the Near East and the Office for the Coordination of Humanitarian Affairs. All other contributions to operational activities for development are defined in this report as development-related.

Comparability of Organization for Economic Cooperation and Development/ Development Assistance Committee and United Nations system reporting

13. There are a number of important differences in the way the United Nations and the Organization for Economic Cooperation and Development (OECD)/ Development Assistance Committee (DAC) define, classify and report contributions to the United Nations system. The use of different definitions and classifications means that data on contributions to the United Nations system as reflected in the present report cannot be compared directly with OECD/DAC official development assistance reporting on United Nations operational activities for development. Annex III contains a further review of the comparability of information contained in the present report with data from other sources such as OECD/DAC, the United Nations Chief Executives Board for Coordination (CEB) and individual United Nations entities.

Establishment of a central repository of information on funding

14. CEB reports on total financial figures for the United Nations system, including global policy and advocacy work (see fig. 1). Consultations with CEB with regard to collaborating in the development of a central repository of information on the financing of operational activities for development, as mandated by the General Assembly in its resolution 63/311, are currently ongoing.

II. Overview

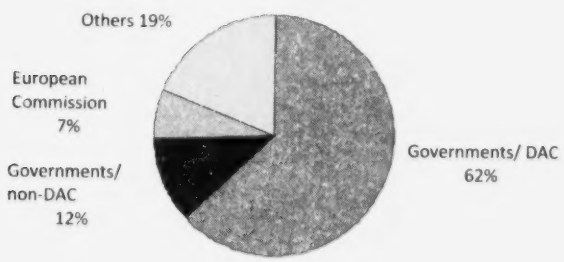
15. The present section provides a brief overview of the key characteristics of the funding system for operational activities for development. Sections III, IV and V provide a more detailed analysis of important trends, issues and perspectives.

Sources of contributions

16. Total contributions to operational activities for development in 2008 amounted to some $22.2 billion, the highest level ever, representing a 10 per cent increase in real terms compared with 2007.

17. Some 74 per cent of total contributions were provided by Governments, DAC and non-DAC, with global funds, the European Commission, other intergovernmental organizations, non-governmental organizations, global funds and the private sector accounting for the remaining 26 per cent.

Figure II
Sources of funding
(2008: 22.2 billion United States dollars)

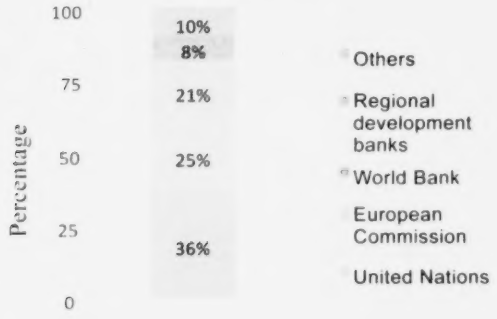


18. The share of OECD/DAC countries in the funding of operational activities for development was 80 per cent in 1993, as against 62 per cent in 2008. Thus, the funding base has broadened and become more diversified over time.

United Nations share of multilateral aid flows

19. The United Nations remains the single largest recipient of direct multilateral contributions by OECD/DAC countries (see fig. III). This share is currently estimated at some 36 per cent and would be even higher if indirect contributions to United Nations entities by other multilateral actors such as the World Bank, regional development banks, the European Commission and global funds, which receive funding from OECD/DAC countries, were also taken into account. This high United Nations share of multilateral aid flows confirms the relevance and importance of the United Nations system in international development cooperation.

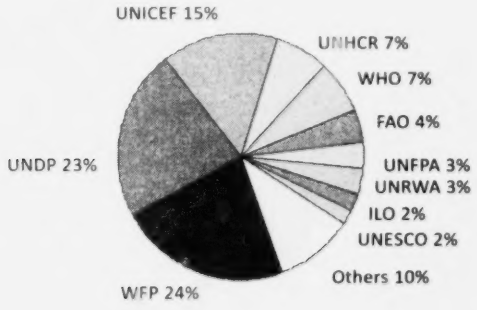
Figure III
United Nations share of multilateral aid



Largest United Nations entities

20. Funding for operational activities for development is concentrated in a relatively small number of United Nations entities, with six of them accounting for 80 per cent of all contributions (see fig. IV). Accordingly, 30 entities account for 20 per cent of resources flows, which could be seen as an indicator of the fragmentation of operational activities for development.

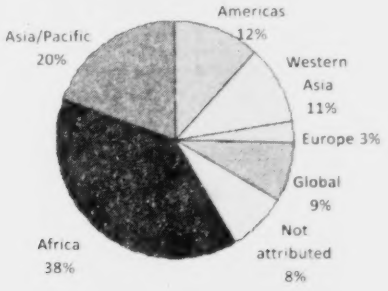
Figure IV
Main entities
(2008; 22.2 billion United States dollars)



Destination of funding

21. Africa is the largest regional destination of funding for operational activities for development, accounting in 2008 for 50 per cent of reported expenditures on humanitarian assistance and 32 per cent of those with a development focus (see fig. V and table 10).

Figure V
Destination by region
(2008: 18.6 billion United States dollars)



22. Expenditures in Latin America, which are mostly development-related, were largely funded from local resources contributions for programming in the contributing countries themselves.

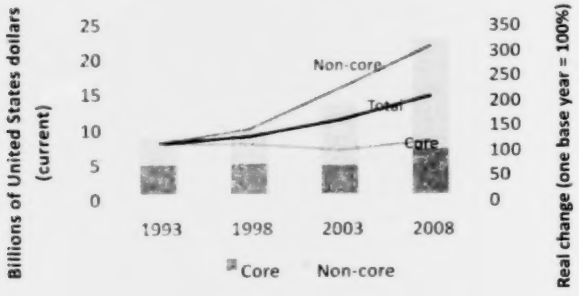
23. It is noteworthy that some 8 per cent of expenditures in 2008 were reported as not attributable to a specific country or geographical region directly.

Trends in contributions

24. The growth in contributions to the United Nations development system during the period from 1993 to 2008 outpaced growth in total OECD/DAC official development assistance flows.

25. Total contributions doubled in real terms during the period, with non-core resources flows increasing almost threefold and core funding experiencing almost no growth (see fig. VI).

Figure VI
Contributions over time
(Core and non-core resources)



26. This suggests that the growing relevance of the United Nations system in international development cooperation in recent years extends to non-core resources flows in particular.

III. Resources: income and contributions

A. Operational activities: development-related and humanitarian assistance

1. Trends in contributions

27. Table 1 provides an overview of funding for operational activities for development in general, including long-term trends since 1993 (see also fig. VI).[2] Total contributions and each of the main core and non-core components grew in real terms by 95, 5 and 198 per cent, respectively, in the period from 1993 to 2008. The 95 per cent real increase in total contributions to operational activities for development compares with an increase of 49 per cent in overall official development assistance flows stemming from OECD/DAC countries. Roughly 40 per cent of the growth in funding in the 1993 to 2008 period can be attributed to OECD/DAC countries and the remaining 60 per cent to increased contributions from other sources such as non-DAC countries, the European Commission and other intergovernmental organizations, non-governmental organizations, global funds and the private sector.

28. Looking at the two main focus areas of operational activities for development, growth in resources for development-related activities has been stronger (113 per cent) compared with funding for humanitarian assistance (73 per cent). A major reason for this has been the exceptionally high growth rate of non-core development-related funding during this period (375 per cent). This explains the declining core ratio, which dropped from 70 per cent in 1993 to 34 per cent in 2008.

29. The significant increase in 2008 in the core component of the total funding for activities with a humanitarian assistance focus was due almost exclusively to the very substantial contribution made by the Government of Saudi Arabia to the World Food Programme (WFP).

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[2] Nine entities, for which data has existed since 1993, accounted for some 86 per cent of total contributions to operational activities for development in 2008: UNDP (including administrative funds, the United Nations Capital Development Fund, the United Nations Development Fund for Women and the United Nations Volunteers), the United Nations Children's Fund, the United Nations Population Fund, the World Food Programme, the Food and Agriculture Organization of the United Nations, the International Labour Organization, the United Nations Educational, Scientific and Cultural Organization, the World Health Organization and the Office of the United Nations High Commissioner for Refugees. The figures in table 1 were arrived at using six separate coefficients, one each for (core and non-core) longer-term development activities, (core and non-core) humanitarian assistance and (core and non-core) total contributions. The coefficients were computed from the average share of each of the six forms of contributions represented by the nine entities over the past six years (2003-2008).

Table 1
Contributions: 1993-2008

		(In billions of current United States dollars)				*(In billions of constant United States dollars)*				
	Contributions	*1993*	*1998*	*2003*	*2008*	*1993*	*1998*	*2003*	*2008*	*Percentage change 1993-2008*
Total	Core	4.2	4.3	4.2	6.4	5.8	5.7	5.1	6.1	5
	Non-core	3.7	4.8	8.7	15.9	5.1	6.6	10.8	15.1	198
	Total	7.9	9.1	12.9	22.2	10.8	12.4	15.9	21.2	95
	Core ratio (percentage)	53	47	32	29					
Longer-term development	Core	3.1	3.2	3.3	4.6	4.3	4.3	4.0	4.4	2
	Non-core	1.3	2.6	4.9	9.1	1.8	3.5	6.0	8.6	375
	Total	4.5	5.8	8.1	13.6	6.1	7.8	10.0	13.0	113
	Core ratio (percentage)	70	55	40	34					
Humanitarian focus	Core	1.1	1.1	0.9	1.8	1.5	1.5	1.1	1.7	16
	Non-core	2.4	2.2	3.9	6.8	3.3	3.0	4.8	6.5	99
	Total	3.4	3.4	4.8	8.6	4.7	4.5	5.9	8.2	73
	Core ratio (percentage)	31	33	19	21					

30. A review of the most recent trends shows that overall growth accelerated in particular in the period from 2004 to 2008 for both development-related activities and those with a focus on humanitarian assistance. This is reflected in table 2, which shows that the long-term decline in the core ratio for development-related activities seems to have levelled off at about 34 per cent in the past three years, from a high of 70 per cent in 1993.

Table 2
Contributions: 2004-2008

		(In billions of current United States dollars)					*(In billions of constant United States dollars)*					
	Contributions	*2004*	*2005*	*2006*	*2007*	*2008*	*2004*	*2005*	*2006*	*2007*	*2008*	*Percentage change 2004-2008*
Total	Core	4.7	4.7	5.1	5.7	6.4	5.3	5.2	5.5	5.7	6.1	14
	Non-core	10.2	12.4	12.3	13.5	15.9	11.5	13.7	13.2	13.5	15.1	31
	Total	14.8	17.1	17.3	19.2	22.2	16.8	18.9	18.8	19.2	21.2	26
	Core ratio (percentage)	32	27	29	30	29						
Longer-term development	Core	3.7	3.7	4.2	4.7	4.6	4.2	4.1	4.5	4.7	4.4	4
	Non-core	6.0	7.9	7.9	9.0	9.1	6.7	8.7	8.5	9.0	8.6	28
	Total	9.6	11.6	12.0	13.6	13.6	10.9	12.8	13.0	13.6	13.0	19
	Core ratio (percentage)	38	32	34	35	34						
Humanitarian focus	Core	1.0	1.0	0.9	1.0	1.8	1.1	1.1	1.0	1.0	1.7	50
	Non-core	4.2	4.5	4.4	4.6	6.8	4.8	5.0	4.7	4.6	6.5	36
	Total	5.2	5.5	5.3	5.6	8.6	5.9	6.1	5.7	5.6	8.2	39
	Core ratio (percentage)	19	18	17	18	21						

2. Contributions in 2008

31. Table 3 provides a brief overview of contributions in 2008, with an indication of the share of funding of OECD/DAC countries and the distribution of non-core resources flows among four main non-core funding modalities. The table shows that pooled non-core funding, in the form of multi-donor trust funds, including global, regional and country-level pooled funds, remains a small share of overall resources flows to the United Nations development system. The four major modalities used by donors to channel non-core contributions to the United Nations development system are further discussed in the next section of the report as well as in annex IV.

32. OECD/DAC countries were a major source of funding for operational activities for development in 2008 accounting for 58 per cent of total contributions to development-related activities of the United Nations system and 72 per cent of activities with a humanitarian assistance focus, or some 62 per cent of overall resources flows. The c mponent of contributions by OECD/DAC countries to development-related activities of the United Nations system and those with a humanitarian focus was 47 and 17 per cent, respectively, in 2008.

33. The core ratio for funding for operational activities for development in 2008 was 28 per cent for the funds and programmes and 33 per cent for the specialized agencies.

34. A further analysis of the main sources of funding for operational activities for development is provided in section IV.

Table 3
Core and non-core contributions, 2008
(Billions of United States dollars)

		Development-related activites				*Humanitarian focus*			
		All donors		*OECD/DAC*[a]		*All donors*		*OECD/DAC*[a]	
Types of funding	*Total*	*Percentage*		*Percentage*		*Percentage*		*Percentage*	
Total contributions	22.2	13.6	61	7.7	58	8.6	39	6.3	72
Core	6.4	4.6	72	3.6	80	1.8	28	1.1	61
Non-core, including:	15.9	9.1	57	4.1	45	6.8	43	5.1	75
(a) Multi-donor trust funds	0.8	0.6	65	0.5	92	0.3	35	0.3	100
(b) Thematic funds	0.4	0.3	88	0.3	91	0.1	12	0.1	91
(c) Local resources contributions	1.6	1.5	90	0.0	0.0	0.1	10	0.0	0
(d) Programme- and project-specific	13.1	6.7	51	3.8	56	6.4	49	5.0	79

[a] OECD/DAC figures do not include contributions by the European Commission, although the Commission is a member of DAC.

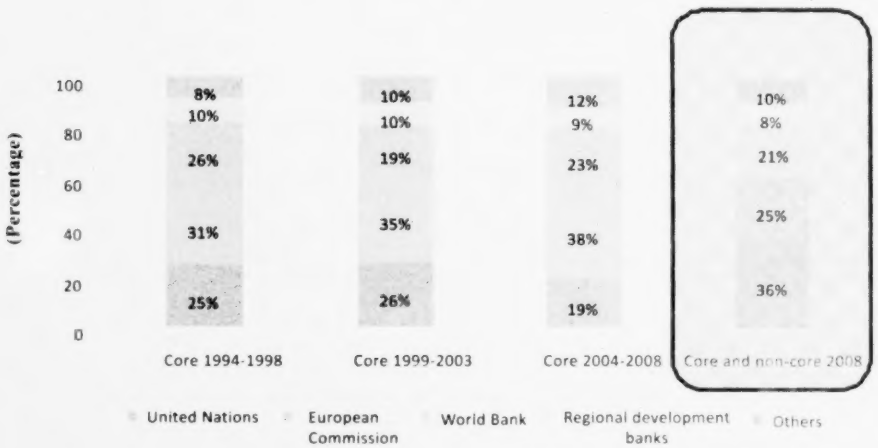
[b] Contributions to multi-donor trust funds from OECD/DAC countries are not included in the OECD/DAC non-core figures since these contributions are recorded as income to the United Nations only when the funds are disbursed to the implementing entities by the administrative agency of the trust fund.

3. United Nations share of multilateral aid flows

35. With regard to direct core contributions by DAC member Governments to the multilateral system as a whole, the share of the United Nations development system

has remained at about the same level in nominal terms in the past 15 years (on the order of $6 billion per year), but has decreased in relative terms to some 19 per cent in the period from 2004 to 2008 owing to the strong growth in the funding of the European Commission in particular. Taking into account all resources — core and non-core — and on the basis of the latest available data (2008) at the time of writing, the share of the United Nations development system is estimated to be on the order of 36 per cent, thereby making the United Nations system the largest multilateral partner for OECD/DAC member Governments (see fig. VII).

Figure VII
United Nations share of multilateral aid
(Distribution: core, 1989-2008; core and non-core, 2008)



36. It is important to note that figure VII captures only direct funding by OECD/DAC countries to the United Nations system and not resources channelled to United Nations entities through other multilateral actors such as the European Commission, the World Bank, regional development banks, global funds and others, which themselves receive funding from OECD/DAC countries. For instance, non-core contributions by the European Commission to the United Nations development system increased from $0.2 billion in 1999 to $1.25 billion in 2008.[3] The actual share of the United Nations system of OECD/DAC official development assistance flows is therefore higher.

4. Top contributors

37. The top 10 contributors of total resources to operational activities for development in 2008 accounted for 55, 57 and 57 per cent of core, non-core and total contributions, respectively. Between 2003 and 2008, the European Commission moved from sixth to second place in the list of top contributors and Spain from eighteenth to ninth.

[3] The five-year averages of total OECD/DAC official development assistance contributions to the multilateral system (in billions of 2007 constant United States dollars) were as follows: 1989-1993: $23.5; 1994-1998: $22.6; 1999-2003: $24.6; 2004-2008: $30.0.

38. In terms of contributions as a percentage of gross national income, Luxembourg ranks number one among donor countries, followed by Norway, Sweden and Denmark.

39. The Government of Saudi Arabia was the eleventh-largest provider of funding to the United Nations development system in 2008 and the second-highest contributor of core resources as a result of a $500 million contribution to WFP.

Table 4
Top contributors in 2008
(Millions of United States dollars)

Donor	*Core*	*Non-core*	*Total*	*Core share*	*Percentage of GNI*
United States of America	650	3 289	3 939	16.5	0.03
European Commission	142	1 322	1 463	9.7	..
United Kingdom of Great Britain and Northern Ireland	382	760	1 142	33.4	0.04
Japan	364	720	1 084	33.5	0.02
Netherlands	472	500	972	48.6	0.12
Norway	440	469	909	48.4	0.22
Sweden	436	443	879	49.6	0.19
Canada	205	630	835	24.6	0.06
Spain	206	595	801	25.7	0.06
Italy	173	383	556	31.2	0.03
Total	3 469	9 110	12 579	27.6	..

5. Prospects for 2010

40. There is concern that the growth seen in the contributions to the United Nations system over the past five years could stagnate, or possibly reverse, in 2010, owing to the negative impact of the global economic crisis.[4] The United Nations Development Programme (UNDP), for example, estimates that core resources will amount to $2.3 billion in the 2010-2011 biennium, the same as in 2008/2009. UNDP is also projecting that non-core contributions will drop to $5 billion in the 2010-2011 biennium, down from $5.3 billion in 2008/2009.[5] The United Nations Children's Fund (UNICEF) received $3.3 billion in total contributions in 2009, a 3 per cent decline in nominal terms, over the previous year. WFP received $4 billion in contributions in 2009, down from $5 billion in 2008. The United Nations Population Fund (UNFPA) is forecasting income of $1.4 billion in the 2010/2011 biennium, down slightly from $1.55 billion in 2008/2009.

[4] The information provided in this section is based largely on inputs provided by UNDP, UNICEF and UNFPA for the 2009 United Nations pledging conference for development activities, held in November 2009.

[5] Excluding local resources.

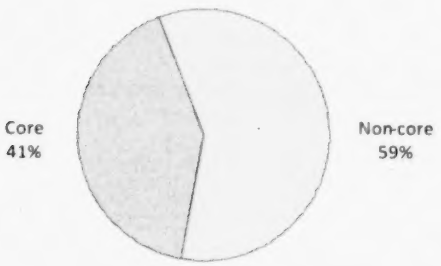
B. Operational activities: development-related only

41. The present section provides a further analysis on contributions to operational activities for development by focusing specifically on the development-related activities of the United Nations system, which account for some 61 per cent of total operational activities for development (see table 1).[6]

1. Types of funding: core and non-core resources

42. Governments, both DAC and non-DAC, contributed some $9.6 billion, or 71 per cent of the total of $13.6 billion in development-related funding to the United Nations system in 2008. About 41 per cent of the contributions by DAC and non-DAC Governments were core resources, compared to 65 per cent in 1995 (see fig. VIII).[7]

Figure VIII
Government contributions
(2008: $9.6 billion United States dollars)



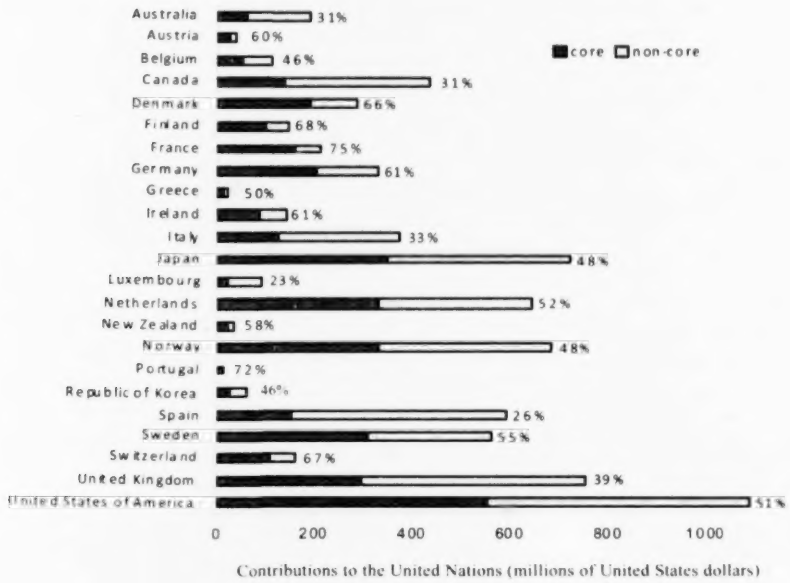
43. The share of core resources of total development-related contributions (core ratio) by DAC and non-DAC Governments in 2008 was 47 and 15 per cent, respectively, compared with 74 and 28 per cent in 1995 (see figs. XI and XII).[8] This reflects the rapid rise of non-core contributions and the significant diversification of the funding base during this period.

[6] As explained in the introduction to the present report, operational activities for development with a humanitarian focus are calculated by taking 27 per cent of all contributions to UNICEF and 100 per cent of all contributions to WFP, UNHCR, UNRWA and the Office for the Coordination of Humanitarian Affairs. All other contributions to operational activities for development are defined in the report as development-related. The calculation of operational activities for development in figure I (64 per cent) is based on three-year averages of contributions.

[7] This includes both DAC and non-DAC Governments contributing to the United Nations development system.

[8] If contributions by the European Commission are included in the OECD/DAC figure, the core ratio would be 44 per cent.

Figure IX
Contributions and core ratio of OECD/DAC countries in 2008 (development-related)



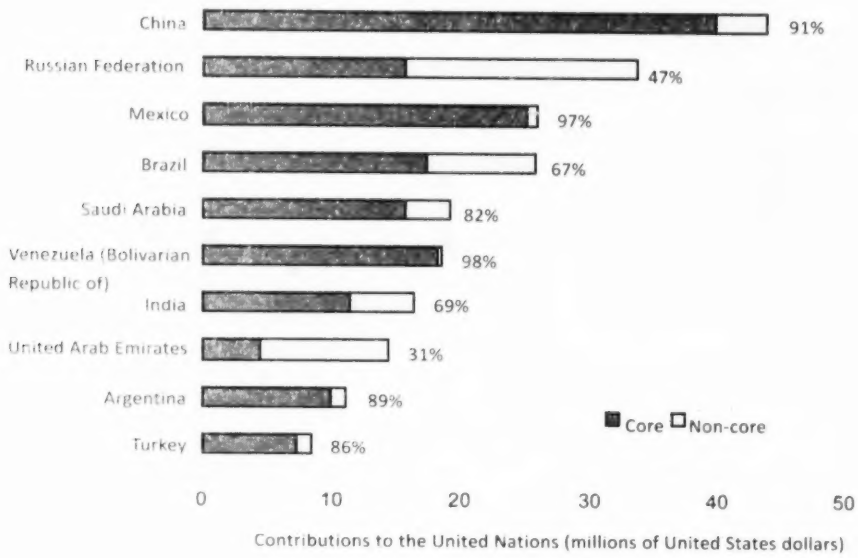
44. Figure IX shows that the core ratio of 13 of the 23 OECD/DAC member countries was higher than 50 per cent in 2008, with only 6 below 40 per cent.[9] If the minimum core ratio for development-related contributions had been set at either 40 or 50 per cent, the average core ratio for OECD/DAC countries as a group would have increased to 50 and 53 per cent, respectively. This suggests that establishing a minimum core contribution level of 50 per cent for OECD/DAC countries may not result in a significant increase in the average core ratio for the group as a whole.

45. Figure X shows the development-related contributions and core ratio for the top 10 non-OECD/DAC countries in 2008, excluding the local resources contributions of programme countries.[10]

[9] The Republic of Korea joined DAC in January 2010.

[10] Saudi Arabia also made a major contribution to WFP in 2008 amounting to $500 million.

Figure X
Contributions and core ratio of top 10 non-OECD/DAC countries in 2008 (development-related)



46. The total development-related contributions of non-OECD/DAC countries in 2008, excluding local resources contributions, were $419 million, compared with $518 million in 2007, a decline of 19 per cent. These resources flows represent some 5 per cent of all Government contributions (excluding local resources) to the development-related activities of the United Nations system.

2. Sources of funding

47. The share of OECD/DAC countries of development-related contributions has declined significantly in the period from 1995 to 2008 (see figs. XI and XII). There has also been a major shift in emphasis in development-related DAC contributions from core to non-core funding.

Figure XI
Sources of funding: 1995
(4.9 billion United States dollars)

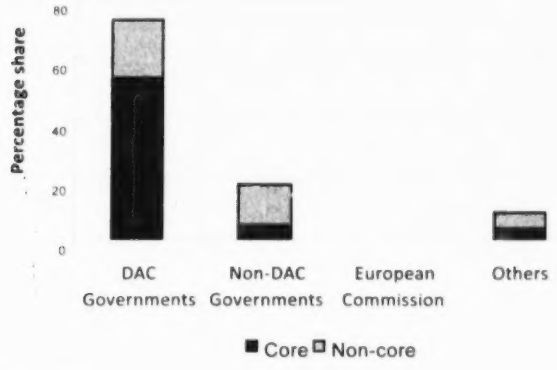
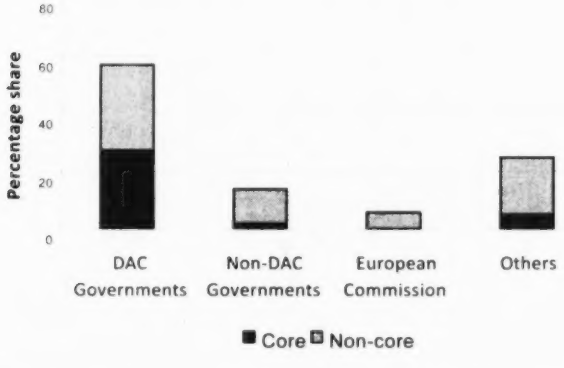


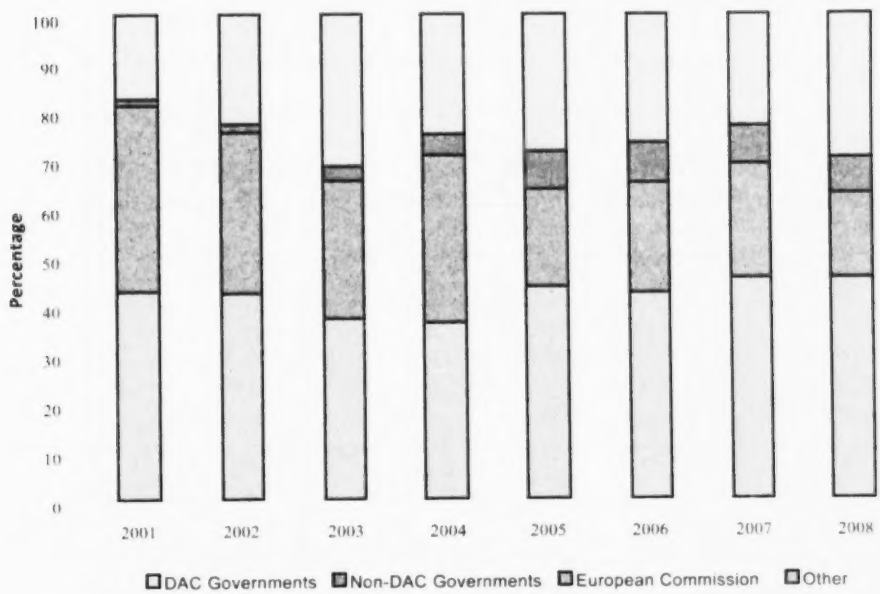
Figure XII
Sources of funding: 2008
(13.6 billion United States dollars)



48. Figures XI and XII show that development-related funding of the United Nations system changed significantly between 1993 and 2008, with a broadening of the donor base and a material shift in emphasis from core funding to non-core contributions. An important consequence of these trends has been a major decline in the core ratio of development-related contributions. Another important development during this period has been the rise of "other" contributors, that is, global funds, non-governmental organizations and the private sector. Figure XIII shows trends in the share of the main sources of funding through a more specific focus on the 2001 to 2008 period.[11]

[11] "Other" includes contributions from global funds, non-governmental organizations, the private sector, development banks and national committees (to UNICEF, non-core development-related share). The sudden increase in "other" contributions in 2005 was largely attributable to a significant jump in non-core resources to national committees of UNICEF.

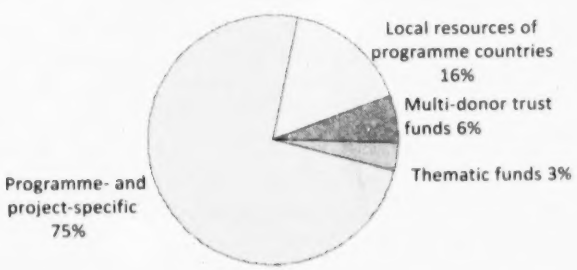
Figure XIII
Trends in share of non-core contributions by funding source, 2001-2008



3. Non-core funding modalities

49. Non-core contributions to the United Nations development system are programmed and administered mainly through four key modalities: multi-donor trust funds, thematic funds, local resources contributions of programme countries and single-donor programme- and project-specific funding.

Figure XIV
Non-core funding modalities
(2008: 9.1 billion United States dollars)


Local resources of programme countries 16%
Multi-donor trust funds 6%
Thematic funds 3%
Programme- and project-specific 75%

50. Multi-donor trust funds and thematic funds are being promoted in the United Nations system as mechanisms for channelling and leveraging resources in an effective and coordinated way in support of system-wide development efforts. The use of multi-donor trust funds is also seen as a direct response to calls for improving

the coherence and effectiveness of non-core development-related funding in support of nationally owned development programmes.

51. As discussed recently by the General Assembly in its consultations on system-wide coherence, there is a difference between multi-donor trust funds administered by United Nations entities and those managed by the World Bank. The so-called administrative agent of United Nations-administered multi-donor trust funds channels resources first to the so-called participating United Nations organization rather than directly to Governments, as in the case of the World Bank. Decisions on United Nations-administered multi-donor trust funds are country-based, which is considered more appropriate for smaller resources transfers, and are also faster and more flexible. For large resources transfers of the sort often required in major investment programmes, more centralized multi-donor trust funds such as those administered by the World Bank are believed to have a comparative advantage.

52. At present, some 9 per cent of non-core resources flows to the United Nations development system are channelled through broadly earmarked pooled mechanisms, including multi-donor trust funds and thematic funds. This modality, while growing, continues to be small compared with non-pooled funding to the United Nations development system (see annex IV for a further discussion of non-core funding modalities).[12]

53. Some 75 per cent of such non-core funding flows is single-donor programme- and project-specific, with a consequent impact on overall programme coherence and transaction costs (see fig. XIV). Since the local resources contributions of programme countries are also overwhelmingly programme- and project-specific, single-donor, non-pooled funding de facto accounts for some 91 per cent of all non-core resources flows.

4. Local resources contributions of programme countries

54. During the consultations held by the General Assembly on system-wide coherence at its sixty-fourth session, several Member States requested further information on and analysis of key trends in local resources contributions by programme countries.

55. Local resources contributions by programme countries to the United Nations development system amounted to $1.59 billion in 2008, down from $2.15 billion in 2007. Local resources still represented some 10 per cent of all non-core funding flows and about 16 per cent of development-related contributions to the United Nations in 2008. Local resources are frequently provided by upper-middle-income countries in Central and Latin America, but in recent years have been provided by countries in other regions as well. Local resources contributions of programme countries are primarily development-related.[13]

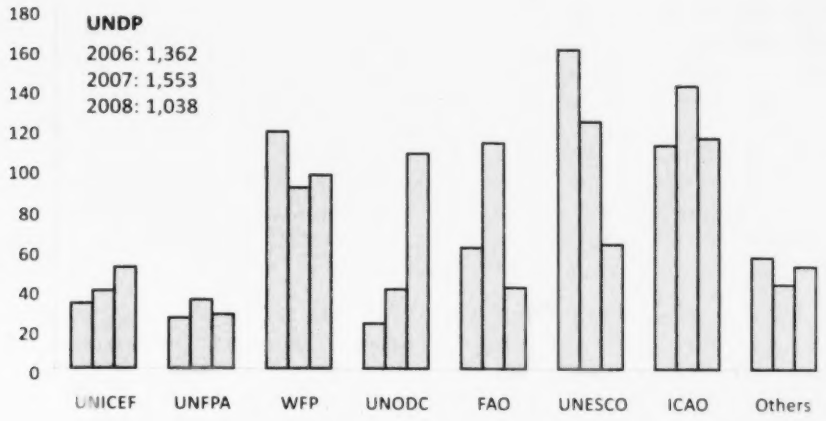
56. UNDP continues to be by far the largest recipient of this type of funding, accounting for 65 per cent of total local resources contributions in 2008. UNICEF,

[12] Some programme- and project-specific contributions are pooled, but those are not included in this percentage. The possibility of requesting further information on programme- and project-specific pooled funding will be explored in the preparation of the 2010 questionnaire on funding of the United Nations development system (for the year 2009).

[13] Except for WFP, which is included in fig. XII owing to the significant volume of local resources contributions it receives.

UNFPA, WFP, the United Nations Office on Drugs and Crime (UNODC), the Food and Agriculture Organization of the United Nations (FAO), the United Nations Educational, Scientific and Cultural Organization (UNESCO) and the International Civil Aviation Organization (ICAO) were the other United Nations entities each receiving $25 million or more annually in local resources contributions in the 2006 to 2008 period. Figure XV shows that the two largest recipients of local resources contributions in 2006, UNDP and UNESCO, both have recently experienced a significant decline in this type of funding.

Figure XV
Local resources contributions to United Nations entities, 2006-2008
(Millions of United States dollars)



57. Brazil is the largest contributor of local resources to the United Nations system (based on average contributions between 2006 and 2008). In 2008, 10 countries accounted for about two thirds of all local resources contributions to the United Nations development system, with the top five countries being in Latin America (see table 5). Forty-seven countries contributed $5 million or more in local contributions to the United Nations development system in 2008.

Table 5
Top-contributing countries of local resources to the United Nations system, 2008
(Millions of United States dollars)

Rank	*Country*	*Local resources contributions*	*Percentage share of total contributions*[a]
1	Brazil	219	88
2	Panama	199	98
3	Argentina	173	93
4	Colombia	130	98
5	Peru	120	98
6	Egypt	56	91

Rank	*Country*	*Local resources contributions*	*Percentage share of total contributions*[a]
7	Iraq	41	82
8	Honduras	38	98
9	Afghanistan	32	98
10	China	31	36

[a] To operational activities for development of the United Nations system.

58. In the case of Brazil, four United Nations entities received 96 per cent of all local resources contributions in 2008. The role of those four United Nations entities in project design, implementation, management and reporting of local resources contributions in Brazil is further examined in annex V.[14]

59. In the case of UNICEF, the Government of Brazil, has since 2006 made an annual thematic contribution to the Basic Education Programme. For UNDP, local resources contributions underpin the multi-year country programme, with the UNDP country office in Brazil reporting on such resources in the same manner as core and other non-core funding.[15] UNESCO has also been a major recipient of local resources contributions by the Government of Brazil in the past three years. In all four United Nations entities, projects funded from local resources contributions are subject to a formal institutional review and approval processes to ensure their alignment with the national United Nations Development Assistance Framework and the strategic plan of the respective organization.

60. The general conclusion from the preliminary review of the experience of Brazil (see annex V) is that the role of United Nations entities in managing local resources contributions is not simply an administrative one; in most instances, it is much more substantive. This supports the argument that local resources are an integral and important part of the partnership between Governments in a number of programme countries and the United Nations development system.

5. Main development entities

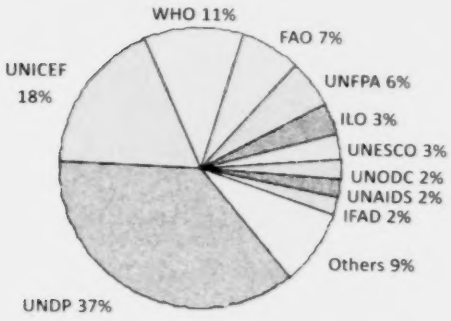
61. Three United Nations entities received two thirds of the $13.6 billion in development-related funding to the United Nations system in 2008, with UNDP accounting for nearly 40 per cent.

62. This shows that development-related funding is highly concentrated in a small number of United Nations entities.

[14] Annex V was prepared in consultation with UNDP, UNESCO, UNODC and UNICEF.

[15] It should be noted that the role of United Nations entities in programme design and the implementation of local resources contributions may vary from country to country and as a function of programme scale.

Figure XVI
Key entities
(2008: 13.6 billion United States dollars)



IV. Resources: use and destination

A. Operational activities: development-related and humanitarian assistance

63. Expenditures for operational activities for development increased by 16 per cent in real terms between 2003 and 2008 (see table 6). Development-related expenditures have also grown faster than those with a focus on humanitarian assistance. However, since 2005, the total expenditures of the United Nations development system have remained fairly stable. Half of humanitarian expenditures in 2008 were concentrated in Africa.

1. Trends in expenditures

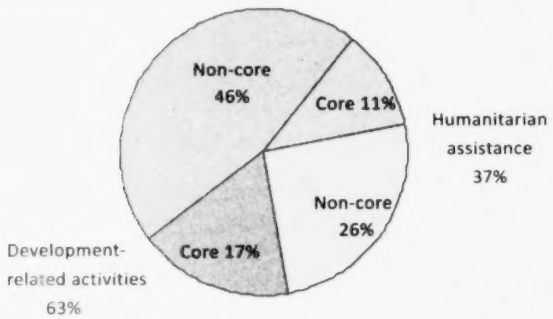
Table 6
Expenditures, 2003-2008

		2003	*2004*	*2005*	*2006*	*2007*	*2008*	*Percentage change 2003-2008*
In billions of current United States dollars	Development-related	7.2	8.0	10.2	10.9	11.8	11.8	63%
	Humanitarian focus	5.1	4.9	5.1	5.0	5.5	6.8	34%
	Total	12.3	12.8	15.3	15.9	17.3	18.6	51%
	Growth (percentage)	—	4	19	4	8	7	—
In billions of constant 2007 United States dollars	Development-related	8.9	9.0	11.2	11.8	11.8	11.2	25%
	Humanitarian focus	6.3	5.5	5.7	5.4	5.5	6.5	3%
	Total	15.2	14.5	16.8	17.2	17.3	17.7	16%
	Growth (percentage)	—	-4	16	2	0	2	—

2. Expenditures in 2008

64. Total expenditures for operational activities for development in 2008 as reported by United Nations entities were $18.6 billion. Some 63 per cent of those expenditures were development-related, with 37 per cent having a humanitarian assistance focus (see fig. XVII).

Figure XVII
Types of expenditures
(2008: 18.6 billion United States dollars)



65. Some 25 and 75 per cent of total expenditures for operational activities for development were funded from core and non-core resources, respectively.

66. Operational activities for development are highly concentrated in a small number of entities, with the five largest accounting for 78 per cent of all expenditures in 2008 (see table 7).

67. In 2008, the funds and programmes accounted for 77 per cent of total expenditures for operational activities for development and the specialized agencies for 23 per cent.

Table 7
Expenditures by United Nations entities, 2008[a]
(Millions of United States dollars)

	2008		
Expenditures by	*Core financed*	*Non-core financed*	*Total*
Funds and programmes			
UNDP	590	3 679	4 270
UNFPA	272	164	436
UNICEF	747	2 062	2 808
WFP	517	3 019	3 536
UNHCR[b]	301	1 296	1 597
Other funds and programmes[c]	752	769	1 520
Specialized agencies			
FAO	142	548	691

Expenditures by	2008 Core financed	2008 Non-core financed	Total
ILO[d]	238	186	424
UNESCO[d]	139	208	347
UNIDO	115	116	231
WHO	452	1 238	1 691
Other specialized agencies[e]	276	554	829
Regional Commissions	16	43	59
Other[f]	5	185	190
Total expenditures	**4 563**	**14 067**	**18 630**

[a] Reporting on contributions to the operational work of WHO will be further refined in collaboration with that entity. For the time being, the entire WHO core budget is included in the table.

[b] Core/non-core split is an estimate based on the fact that 18.85 per cent of contributions are core.

[c] ITC, UNAIDS, UNCTAD, UNEP, UN-Habitat, UNODC/UNDCP, UNRWA.

[d] Imputed based on assessed contributions used for operational activities for development.

[e] IAEA, ICAO, IFAD, IMO, ITU, UPU, WIPO, WMO, World Tourism Organization.

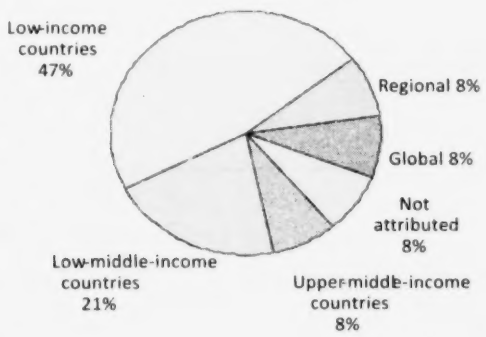
[f] Department of Economic and Social Affairs, Office for the Coordination of Humanitarian Affairs.

3. Destination of expenditures

(a) Income group

68. The targeting of United Nations operational activities for development has changed in the past few years, with more than 50 per cent of country-level expenditures in 2008 in least developed countries compared with 39 per cent in 2003.

Figure XVIII
Destination by income group
(2008: 18.6 billion United States dollars)



69. Some 47 per cent of reported total expenditures in 2008 were spent in low-income countries (see fig. XVIII).[16] It is noteworthy that almost a quarter of reported total expenditures were not spent at the country level.

70. Tables 8 and 9 show the proportion of country-level expenditures in 2008 financed from core and non-core resources by selected entities and by income and other special country groupings.

Table 8
Share of core and non-core resources spent in vulnerable countries
(Percentage)

	Least developed countries		*Low-income countries*		*Landlocked developing countries*		*Small island developing States*	
	Core	*Non-core*	*Core*	*Non-core*	*Core*	*Non-core*	*Core*	*Non-core*
UNDP[a]	62	59	79	66	33	29	6	5
UNFPA	51	60	69	70	26	30	6	3
UNICEF	66	55	84	71	33	24	2	3
FAO	47	60	53	69	23	29	12	4
WFP	80	70	96	81	33	35	6	3
Overall[b]	65	62	82	73	32	30	5	4

[a] Excludes local resources contributions of programme countries.
[b] Combined figures for the five entities listed above.

71. With respect to expenditures in low-income countries, the difference between the distribution of core and non-core resources expenditures is significant in that it seems to confirm the varying degree to which the use and application of core and non-core resources is subject to and aligned with the mandates and priorities established by governing bodies. This is based on the premise that the distribution of core resources expenditures best reflects the application of such mandates and priorities.

72. Table 9 shows that for key entities of the United Nations development system, the targeting of expenditures in least developed countries has been increasing.

Table 9
Share of total country expenditures in least developed countries, 2003-2008
(Percentage)

Entity	*2003*	*2004*	*2005*	*2006*	*2007*	*2008*
UNDP	22	28	36	33	33	43
UNFPA	52	47	41	46	52	55
UNICEF	52	51	51	52	56	58
WFP	47	50	71	70	72	71
UNHCR	51	57	57	56	52	50

[16] Based on World Bank classification.

Entity	*2003*	*2004*	*2005*	*2006*	*2007*	*2008*
IFAD	38	47	45	41	41	40
Other specialized agencies	29	33	32	32	38	39
Other United Nations funds and programmes	--	--	--	11	9	8

(b) Region

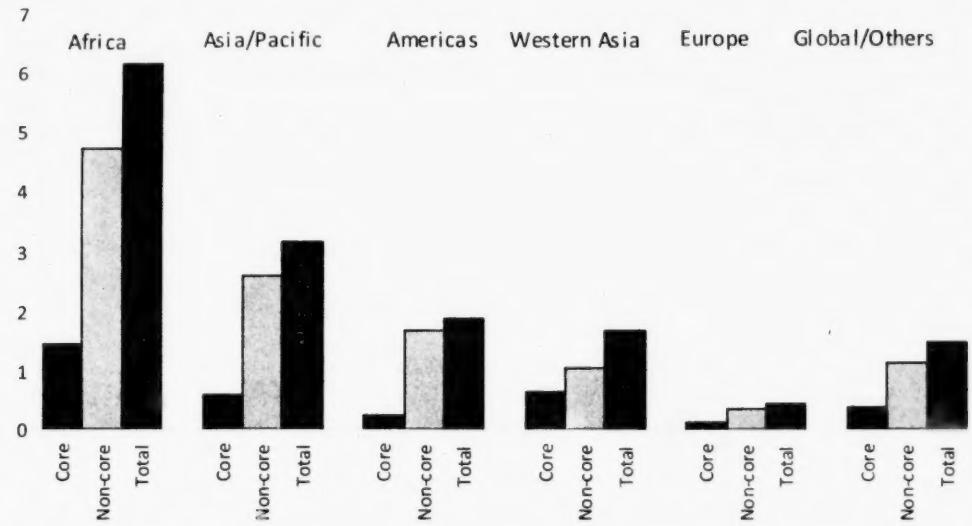
73. Africa was the largest recipient of funding for operational activities for development in 2008, with 50 per cent of humanitarian expenditures and 32 per cent of those with a development focus (see table 10). Africa was also the largest recipient of funding from both the funds and programmes and the specialized agencies (see fig. XIX).

Table 10
Regional distribution of expenditures, 2008

(Percentage)

	Share of total expenditures	
Region	*Humanitarian assistance*	*Development-related*
Africa	50	32
Asia/Pacific	18	21
Americas	5	16
Western Asia	19	6
Europe	2	4
Global	0	12
Not attributed	7	9

Figure XIX
Expenditures by region, 2008
(Billions of United States dollars)



74. Table 11 shows that the share of expenditures in the Africa region increased between 2003 and 2008. The Asia/Pacific region also experienced a relative increase in funding, while the share of Western Asia of overall expenditures declined significantly, owing mainly to less spending in Iraq.

Table 11
Regional distribution of expenditures, 2003-2008
(Percentage)

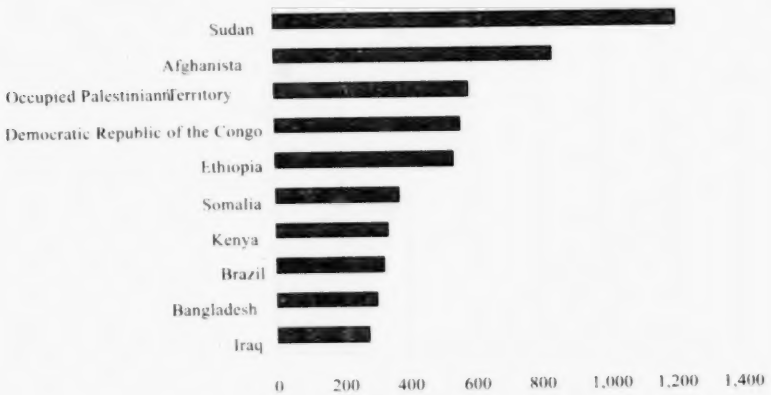
	Africa	*Asia Pacific*	*Americas*	*Western Asia*	*Europe*	*Interregional*	*Not attributed*
2003	31	17	14	22	3	8	5
2004	33	20	14	17	4	10	3
2005	38	22	13	9	3	10	5
2006	35	19	14	8	3	12	9
2007	36	19	13	9	4	8	11
2008	38	20	12	11	3	9	8

(c) Country

75. The Sudan was the largest recipient of United Nations funding for operational activities for development in 2008, with Afghanistan and the Occupied Palestinian Territory in second and third place.

76. The list of top recipients of funding for operational activities for development contained in figure XX shows that the United Nations system is a major player in countries in special development situations.

Figure XX
Top recipients of United Nations funding
(Millions of United States dollars)



77. Brazil is on the list of the top recipients of funding for operational activities for development owing mainly to significant local resources contributions to the United Nations system at the country level.

Table 12
Top 10 recipients of core and non-core funding, 2008[a]

Rank	*Recipient*	*Expenditures (millions of United States dollars)*	*Percentage of GNI*	*Expenditures per capita*	*Ranking among recipients*	
					Core	*Non-core*
1	Sudan	1 220	2.7	29.5	3	1
2	Afghanistan	842	7.9	29.0	8	2
3	Occupied Palestinian Territory	586	—	148.9	1	6
4	Democratic Republic of the Congo	562	5.7	8.8	5	3
5	Ethiopia	539	2.4	6.7	4	4
6	Somalia	373	—	41.8	26	5
7	Kenya	339	1.2	8.8	6	10
8	Bangladesh	302	0.4	1.9	19	9
9	Iraq	275	—	9.0	21	11
10	Uganda	273	2.0	8.6	12	12

[a] Brazil, with major local resources contributions, is not included in the table.

78. Six of the top 10 recipients are African countries (see table 12). Nine of the top 10 recipients of funding as a share of gross national income are also African countries (see table 13).

Table 13
Top 10 recipient countries based on percentage of gross national income, 2008

Rank	*Recipient*	*Percentage of GNI*
1	Liberia	23.8
2	Burundi	13.1
3	Afghanistan	7.9
4	Guinea-Bissau	6.7
5	Democratic Republic of the Congo	5.7
6	Sierra Leone	5.3
7	Central African Republic	5.0
8	Chad	4.3
9	Sao Tome and Principe	3.6
10	Malawi	2.9

B. Operational activities: development-related only

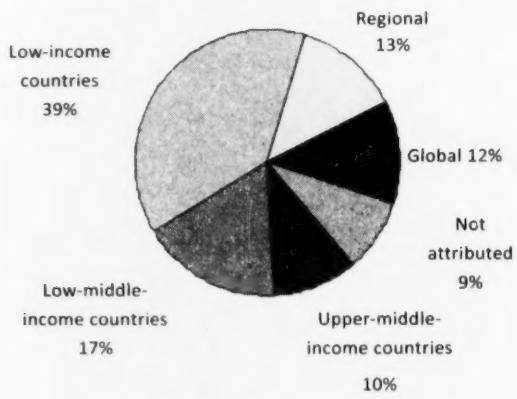
Destination of expenditures

79. The present section will briefly review the destination of development-related expenditures in programme countries by income group, region, country and sector.

(a) Income group

80. Development-related expenditures are less concentrated in low-income countries than operational activities as a whole — 39 per cent compared with 47 per cent (see figs. XXI and XVIII).

Figure XXI
Destination by income group
(2008: 11.8 billion United States dollars)



81. The most noteworthy difference is that some 34 per cent of reported development-related expenditures are not spent at the country level, compared with 24 per cent for operational activities as a whole.

(b) Region

82. Table 14 compares the regional distribution of core resources to non-core resources, focusing on the five largest development-related entities. Overall, it can be said that core financed expenditures have a stronger focus in Africa than those funded from non-core contributions.

Table 14
Regional distribution of expenditures financed from core and non-core resources of selected United Nations entities

(Percentage)

Entity	*Core/non-core*	*Africa*	*Asia/Pacific*	*Americas*	*Western Asia*	*Europe*	*Global*	*Not attributed*
UNDP[a]	Core	49	24	4	3	2	11	7
	Non-core	33	33	9	7	6	4	8
UNFPA	Core	54	30	10	4	2	0	0
	Non-core	61	14	15	8	2	0	0
UNICEF	Core	64	26	4	3	2	2	0
	Non-core	53	29	6	5	2	4	0
FAO	Core	45	26	22	3	3	0	0
	Non-core	42	22	9	7	1	19	0
WHO	Core	23	17	8	9	8	35	0
	Non-core	25	13	2	17	5	38	0
Overall	Core	56	26	6	3	2	5	3
	Non-core	43	30	8	6	4	6	4

[a] Excluding local resources.

(c) Country

83. The list of the top 10 recipients of core and non-core funding for development-related activities includes only one country outside Africa and the Asia/Pacific region (see table 15). Similarly, 9 of the top 10 countries in terms of development-related expenditures per gross national income are in Africa, with a large number of them in special development situations (see table 16).

Table 15
Top 10 recipient countries of core and non-core funding, 2008[a]

Rank	*Recipient*	*Expenditures (millions of United States dollars)*	*Percentage of GNI*	*Expenditures per capita*	*Ranking among recipients*	
					Core	*Non-core*
1	Afghanistan	553	5.2	19.0	5	1
2	Sudan	371	0.8	9.0	10	2
3	Democratic Republic of the Congo	327	3.3	5.1	1	3
4	Bangladesh	191	0.2	1.2	8	4

Rank	Recipient	Expenditures (millions of United States dollars)	Percentage of GNI	Expenditures per capita	Ranking among recipients: Core	Ranking among recipients: Non-core
5	India	186	0.0	0.2	4	7
6	Nigeria	185	0.1	1.2	3	8
7	Ethiopia	169	0.8	2.1	2	12
8	Indonesia	160	0.0	0.7	30	6
9	Iraq	160	..	5.2	49	5
10	Pakistan	131	0.1	0.8	7	13

[a] Brazil, Colombia, Panama and Argentina, with major local resources contributions, are not included in the list.

Table 16
Top recipient countries based on percentage of gross national income, 2008

Rank	Recipient	Percentage of GNI
1	Liberia	13.7
2	Burundi	6.6
3	Guinea-Bissau	5.7
4	Afghanistan	5.2
5	Sierra Leone	4.1
6	Democratic Republic of the Congo	3.3
7	Sao Tome and Principe	3.2
8	Central African Republic	2.2
9	Malawi	2.1
10	Eritrea	2.0

(d) Sector

84. Figures XXII and XXIII show the changes that took place in terms of the sectoral destination of expenditures between 1993 and 2008, as reported by United Nations entities. When reviewing these figures, it should be borne in mind that it is inherently difficult to accurately present the sectoral distribution of expenditures on development-related activities owing to the lack of adequate, up-to-date standards and methodologies within the United Nations system in this regard. The figures below should therefore be seen only as indicative of the change in the sectoral distribution of development-related expenditures of United Nations entities in the 1993 to 2008 period.

Figure XXII
Expenditures by sector, 1993
(3.7 billion United States dollars)

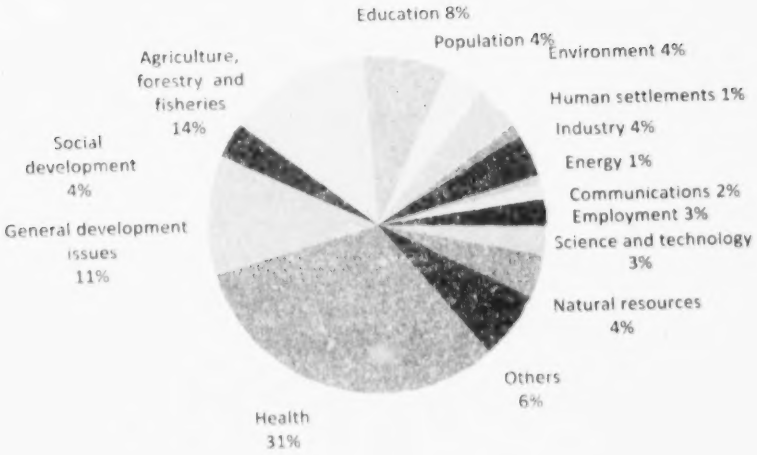
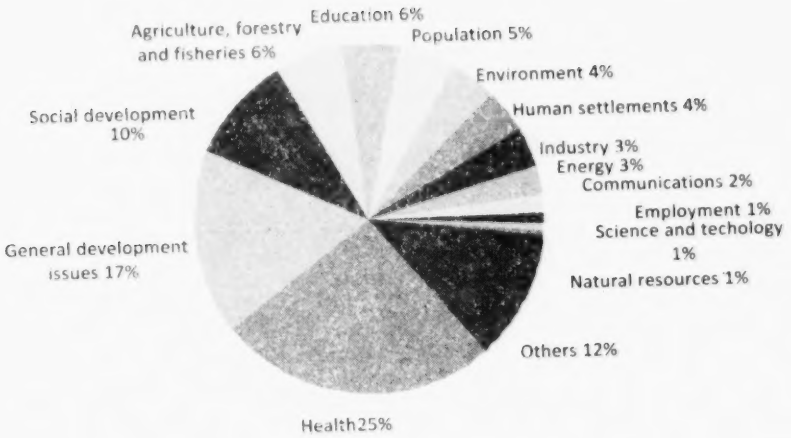


Figure XXIII
Expenditures by sector, 2008
(11.8 billion United States dollars)



V. Other issues

A. Burden-sharing among Development Assistance Committee donors

85. A review of the volume of core funding for operational activities and the respective sources of such funding facilitates an assessment of the extent to which burdens are shared equally among contributing donors. This has added importance in view of the fact that core resources in general cover a greater proportion of the institutional costs of United Nations entities and of programme activities that have a more global and interregional character. This affects the volume of core resources available for actual programme expenditures at the regional and programme country levels.

86. The 1970s and 1980s saw the emergence of a trend towards an increasingly uneven burden-sharing of core funding for operational activities for development.[17] That trend has largely continued during the 1990s and the first decade of the new century. From 1995 to 2008, the top 10 donors to UNDP provided, on average, some 84 per cent of core contributions; for UNFPA, the figure is 93 per cent. The issue of the concentration of donor-related funding also applies to specialized agencies. In FAO, for example, the top 10 donors (excluding global funds such as the Central Emergency Response Fund, but including multilateral contributions) accounted for some 53 per cent of the total voluntary resources received in 2006-2007, with the top 20 contributing 79 per cent.[18] Reliance on a small number of countries for a relatively high share of core contributions also makes United Nations entities vulnerable to fluctuations in overall resources flows, for instance, if one or more major donors suddenly decide to reduce funding. That risk can be addressed by broadening the donor base of operational activities for development.

87. Table 17 captures the different rankings within the OECD/DAC Governments' group. There is a group of 13 DAC member Governments that appear at least once in the top 10 list of either core, non-core or total contributions. Together, these countries account for over half of the total funding for operational activities for development, more than 70 per cent of core contributions, and just over 40 per cent of non-core resources.

Table 17
Top OECD/DAC Government contributors, 2008 (ranking)

Donor	*Core*	*Non-core*	*Total*
United States of America	1	1	1
Japan	2	4	3
Netherlands	3	6	5
Norway	4	5	4
Sweden	5	8	7
United Kingdom of Great Britain and Northern Ireland	6	2	2
Germany	7	11	10

[17] Report of the Nordic Project, 1991.

[18] FAO Programme Implementation Report, 2006-2007 (para. 34 and table 4), available at www.fao.org.

Donor	*Core*	*Non-core*	*Total*
Denmark	8	12	11
France	9	16	12
Spain	10	3	6
Canada	11	7	8
Italy	12	9	9
Australia	16	10	13
Share of total DAC Governments (percentage)	89	90	89
Share of total contributions (percentage)	71	41	51

88. The extent of burden-sharing can be determined by comparing the ratio of a country's actual contributions for development-related activities to its gross national income (the so-called DEV/GNI ratio) with the median DEV/GNI ratio that currently exists for the group as a whole. If all countries were to contribute core resources in accordance with the currently existing median ratio, then equal burden-sharing would result in an increase in core resources of $0.5 billion, or close to 14 per cent. Such an increase would be the net result of a decrease of $1.2 billion in contributions by those countries that currently contribute in excess of what the median DEV/GNI target ratio would require and an increase of $1.7 billion in contributions by countries that currently contribute less than what the median DEV/GNI target ratio would expect them to do (see annex VI). Some 64 per cent of the increase could, in fact, be financed by a shift from existing non-core contributions to core funding by the countries concerned.

89. Annex VI also contains a similar analysis, where it is assumed that countries currently contributing above the median DEV/GNI ratio for the group as a whole would continue to do so at the same rate, while only the underachieving donors would increase funding in accordance with the median DEV/GNI ratio as a contribution target. Following this scenario, core contributions would increase by nearly $1.7 billion, or 46 per cent.

90. It is important to recognize that the issue of burden-sharing is not specific to DAC Governments; however, since those countries make up the majority of contributions to the United Nations development system, the analysis presented in annex VI gives a rough idea of the quantity of core resources the United Nations would receive if all OECD/DAC countries contributed on the basis of the same share of their gross national income.

91. Table 18 shows how the shift to median DEV/GNI ratio would affect burden-sharing in development-related funding. The share of the top three and five countries donors of development-related core funding would significantly increase if the contribution level for each country were determined by the median DEV/GNI ratio.

Table 18
Burden-sharing of top OECD/DAC donors based on median DEV/GNI ratio
(Percentage)

	Actual contributions in 2008			*Contribution level based on median DEV/GNI[a]*			*Contribution level based on median DEV/GNI[b]*		
Group	*Core*	*Non-core*	*Total*	*Core*	*Non-core*	*Total*	*Core*	*Non-core*	*Total*
Top 3	34	35	33	58	58	58	45	46	48
Top 5	51	53	51	71	71	71	57	59	59
Top 10	79	84	80	89	89	89	82	84	83

[a] This column assumes that all OECD/DAC countries would contribute in accordance with the median DEV/GNI ratio, including those countries that contribute above this ratio at present.
[b] This column assumes that for those OECD/DAC countries that contribute above the average or median DEV/GNI ratio, their contribution level would remain unchanged.

B. Predictability of funding flows

92. An effort has been made to examine the predictability of resources by comparing information in strategic planning frameworks with the actual contributions received (see annex VII). At the time of writing, the data available were insufficient to allow for a comprehensive and meaningful review.

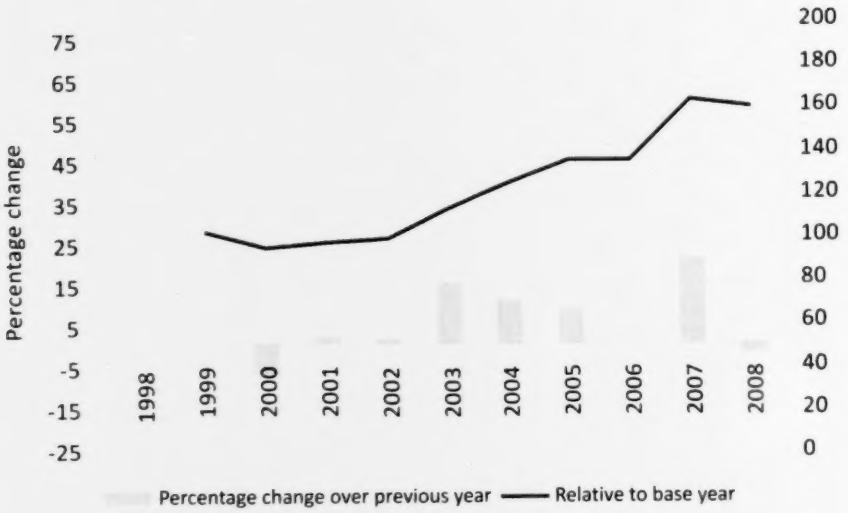
93. Instead, elements of predictability have been reviewed for some entities by examining actual volatility and fluctuation in contributions compared with the previous year and the actual impact thereof on the overall availability of resources over time, compared with a given base year (see figs. XXIV to XXVI). Further review is needed to determine whether the actual performance in the case of UNDP and UNICEF is representative for other entities and for operational activities as a whole.

94. In the case of both UNDP and UNICEF, it would seem that annual fluctuations in core contributions did not have a negative impact on the overall steady growth in available core resources during the 2000 to 2008 period. It is further believed that annual fluctuations had an even lesser impact on overall programme expenditures as a result of the inherent delay between receipt of contributions and actual programme delivery.

95. In examining fluctuations and volatility in contributions, the impact of exchange rates should be taken into account. Figure XXVII provides information in that regard by examining volatility and fluctuations in exchange rates of the United States dollar versus the euro and the Japanese yen compared with the previous year and the actual impact thereof over time as compared to a given base year. The figure illustrates the very significant fluctuations experienced during the period 1999 to 2008. Some of the fluctuations had orders of magnitude that were similar to fluctuations in the United States dollar-denominated contributions reviewed for UNDP and UNICEF.

96. As can be seen in figure XXIV, core contributions to UNDP increased steadily during the 2000 to 2008 period.

Figure XXIV
Trend in core contributions to UNDP (base year 2000, nominal data)



97. Core contributions to UNICEF also increased steadily between 1998 and 2008.

Figure XXV
Trend in core contributions to UNICEF (base year 1998, nominal data)

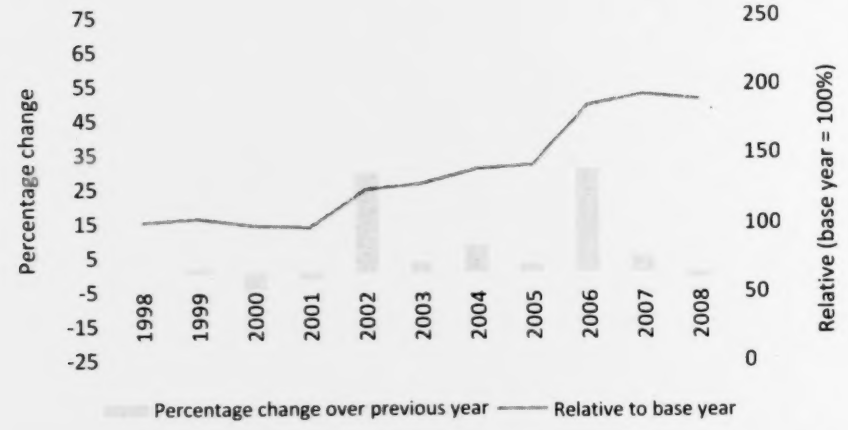
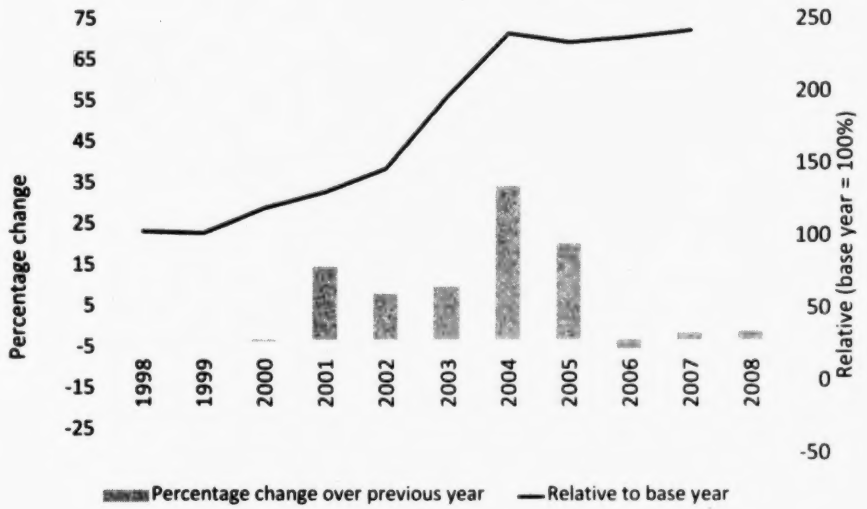
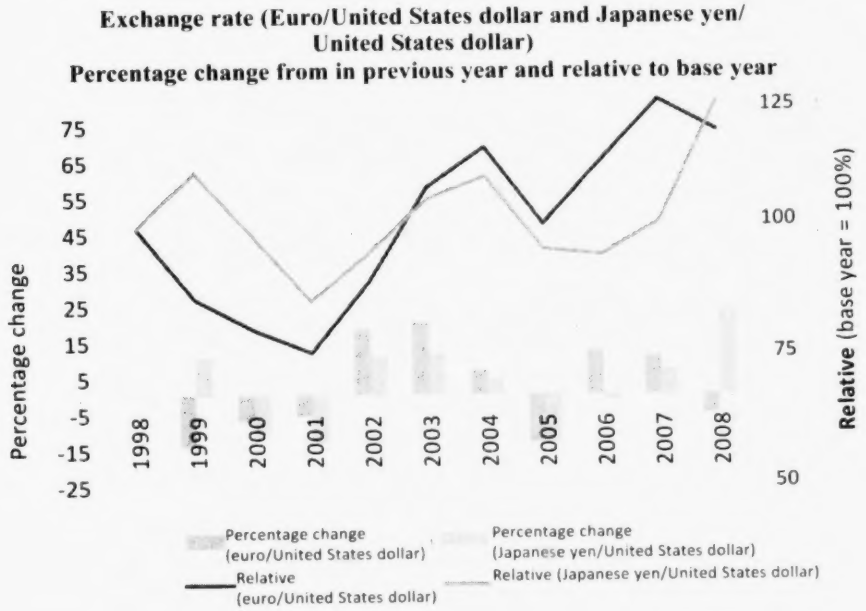


Figure XXVI
Trend in non-core contributions to UNDP (base year 1998, nominal data)



98. Figure XXVII shows the significant influence that exchange rate fluctuations have had on contribution levels to the United Nations development system. Between 1998 and 2001, the euro and the Japanese yen depreciated about 25 per cent against the United States dollar, a trend that has since reversed in the other direction, with a positive impact on contribution levels.

Figure XXVII
Trend in euro/United States dollar/Japanese yen exchange rates (base year 1998)



C. Fragmentation of funding architecture

Non-core resources flows

99. The exponential growth in non-core funding flows in the past decade has been an important source of fragmentation of the funding architecture of operational activities for development. Single-donor programmes and project-specific funding, for example, has increased by some 180 per cent, in nominal terms, since 2000 (see table 19).

Table 19
Non-core contributions by funding modalities, 2000 and 2004-2008
(Millions of United States dollars)

Modality	*2000*	*2004*	*2005*	*2006*	*2007*	*2008*
Single-donor programme/ project-specific	2 346	3 366	5 955	5 259	6 231	6 572
Local resources	1 107	1 670	1 423	1 910	1 989	1 430
Multi-donor trust funds	0	629	275	343	319	552
Thematic funds	0	135	126	182	272	303
Total	**3 453**	**5 799**	**7 779**	**7 693**	**8 811**	**8 857**

100. The growth in non-core funding is seen as an important factor in increasing transaction costs for United Nations entities. Negotiating individual funding agreements, tracking and reporting programming and financial data for hundreds or even thousands of individual projects, and reporting according to widely varying sets of requirements, for example, all add significant costs that fall outside of the organization's basic operating systems. As a result, entities must juggle both large and small supplementary contributions in time frames inconsistent with their basic managerial processes. In some instances, supplementary funding is also still provided with conditions on monitoring and reporting that fall outside of the normal systems of the respective agencies. Such conditions are an important factor in increasing transaction costs.[19]

Measuring the level of concentration/fragmentation in the work of United Nations entities

101. With regard to the possible concentration or fragmentation of programming by individual United Nations entities, the report also contains a comparison of the entities' share of total expenditures at both the country and global levels. For this purpose, a concentration factor has been developed which measures the extent to which an entity's share of country-level expenditures exceeds its global share, as a percentage of the total number of countries in which the entity reported expenditures.

102. Annex VIII summarizes the outcome of this analysis based on 2008 data, sorted according to decreasing level of concentration as expressed by the concentration factor. As can be expected, UNRWA shows a very high level of concentration (100 per cent) given its special geographical focus. UNESCO shows the lowest level of concentration as expressed by the concentration factor, with its share of expenditures exceeding its share of global expenditures in only 27 of the 127 countries (21 per cent) in which it reported expenditures in 2008.

103. WFP has operational activities in a relatively few number of countries. However, its concentration measure was among the lowest. This is due to the fact that while 8 programme countries accounted for roughly 55 percent of total WFP programme country expenditures, the remaining 45 per cent was spread over the other 78 countries in which WFP was active.

Multi-donor trust funds and One UN Funds

104. Multi-donor trust funds are being promoted as funding mechanisms for channelling and leveraging resources in an effective and coordinated way in support of United Nations system-wide development efforts. The use of multi-donor trust funds is a direct outgrowth of international efforts to promote enhanced aid effectiveness and greater national ownership and leadership of development cooperation. Such funds can therefore be seen as instruments to counterbalance fragmentation in the United Nations development system.

105. One UN Funds are multi-donor trust funds specifically aimed at supporting the "Delivering as One" pilot initiatives in programme countries. Table 20 shows the amounts programmed through this special multi-donor funding mechanism in eight

[19] Discussion paper on the funding of United Nations technical cooperation activities, Lindores (2007).

countries in 2008 compared with total development-related expenditures of the United Nations system in the respective countries.

Table 20
Impact of One UN Funds

Recipient country	*Total 2008 expenditures*	*Transfers to One UN Fund*	*Share of total (percentage)*
	(millions of United States dollars)		
Albania	18	4	23.4
Cape Verde	10	0	0.0
Malawi	88	0	0.0
Mozambique	113	13	11.2
Pakistan	132	0	0.0
Rwanda	64	12	18.3
United Republic of Tanzania	93	19	20.2
Uruguay	29	4	14.7
Viet Nam	65	17	26.8
Overall	611	69	11.3

106. Table 20 shows that One UN Funds still represent a small share of total United Nations expenditures in the respective countries, suggesting that such funds currently have a relatively limited impact in counterbalancing the fragmentation of the United Nations system at the country level.

107. According to a 2008 United Nations Development Group stocktaking report on the Delivering as One initiative, specifically with regard to the specialized agencies, there seems to be higher costs associated with participating in the various activities and processes in the Delivering as One pilot countries, at least during the initial period.[20]

108. The report indicates that it remains to be seen to what extent these increases are temporary and to what degree they might be reduced in the longer term. The report further indicates that it is not clear whether the One UN Funds have had an impact on agency-specific resource mobilization. Despite the fact that some progress has been made, funding for the programmes of the United Nations system at the country level was reported as being a concern, especially with regard to the predictability of contributions at the country level and in view of the observation that some donors are earmarking their contributions within the One UN Funds.

D. Cost recovery

109. The exponential growth in non-core resources over the past 10 years has made cost recovery an issue of continuous concern and the subject of review by entities individually as well as at the level of the United Nations System Chief Executives

[20] "Delivering as One 2008 stocktaking synthesis report" (http://www.undg.org/docs/10289/UNStocktakingSynthesisReportV6.pdf)

Board for Coordination/High-level Committee on Management. There remains a perception among the stakeholders of United Nations operational activities for development that support to and the management and administration of non-core funded activities is being subsidized by core resources and that this negatively affects the availability of core resources for programming at the regional and country levels.

110. The scope of the present report does not allow for an in-depth review of the complex issue of cost recovery on the basis of a comprehensive analysis. At this stage, however, an initial and very rough high-level assessment could be made by comparing actual core and non-core programme expenditures at the regional and country levels in 2008 with total core and non-core contributions. Table 21 shows the results of this comparison.

111. Table 21 is based on available data on development-related contributions and expenditures from 16 United Nations entities and shows that programme expenditures at the regional and country levels compared with contributions are lower for core resources (69 per cent) than for non-core resources (91 per cent). Part of the difference can be explained by the fact that core resources generally finance a greater share of programme activities that have a more global and/or interregional character; part can be explained by the fact that core resources cover a greater share of the institutional costs of United Nations entities, considering that current methods and approaches relating to cost recovery are based on the recovery of direct costs and incremental variable indirect costs only and not of the so-called fixed indirect costs needed to finance the base structures of entities.

112. The above conclusion that core resources appear to be covering a higher share of the institutional costs of United Nations entities, compared with non-core funding, should therefore be viewed as indicative until expenditures data can be analysed over several years.[21]

Table 21
Comparison between region/country-level expenditures and overall contributions of selected United Nations entities, 2008[a]

Expenditures		*Contributions*		*Expenditures as a percentage of contributions*	
(millions of United States dollars)					
Core	*Non-core*	*Core*	*Non-core*	*Core*	*Non-core*
2 758	8 096	3 991	8 929	69	91

[a] Based on data from 16 United Nations entities for which a breakdown of expenditures financed by core and non-core resources was available.

[21] Breakdown of expenditures by core and non-core resources is available only for 2008. A five-year trend analysis, for example, could better establish whether core resources, compared with non-core funding, are covering a higher share of the institutional costs of United Nations entities.

Annex I

Strengthening financial reporting on operational activities for development of the United Nations system

Improving the coverage, quality and comparability of financial reporting

The Secretary-General has stepped up efforts to update the concepts, definitions and classifications underlying the comprehensive statistical analysis of the financing of operational activities for development of the United Nations system (statistical compendium). The objective of this effort is to improve the quality and comparability of the data and better represent the changing mandates and operations of the United Nations system. Inter-agency consultations, notably with the United Nations Development Programme (UNDP), the United Nations Children's Fund, the United Nations Population Fund, the World Food Programme and specialized agencies on financial reporting issues have intensified in recent years, leading to an improved classification of the contributions received by United Nations entities.

The United Nations Development Group is also forming a working group charged with simplifying and harmonizing financial reporting by creating common guidelines to be used by United Nations entities in classifying expenditures. Having a more consistent classification of expenditures across different United Nations entities will facilitate the disaggregated reporting of development-, humanitarian- and peacebuilding-related resources flows.

Strengthening reporting on disaggregated non-core funding flows

Recent system-wide efforts to improve reporting on multi-donor trust funds are providing a solid platform for more disaggregated analysis of extrabudgetary resources flows. The United Nations Development Group is establishing a system-wide database on multi-donor trust funds which will provide up-to-date information on all of them, including those administered by UNDP and other United Nations entities, with links to related websites of the entities concerned. The 2009 statistical compendium contained, for the first time, information on all contributions to and disbursements from multi-donor trust funds administered by the UNDP Multi-Donor Trust Funds Office. The Department of Economic and Social Affairs is collecting similar information on multi-donor trust funds administered by other entities within the United Nations system.

Enhancing timeliness in financial reporting

Due to the timing of reporting to the Economic and Social Council, the statistical compendium is released in May each year, a time when the final data from the previous calendar year is not yet available. Thus, by the time it is issued, the statistical compendium contains information that is almost two years old.

However, from 2010 onwards, financial reporting on United Nations development operations will be further improved to enable more a timely presentation of funding information to Member States through the following measures:

(a) Publishing aggregate funding figures for United Nations development operations for the previous year in May/June, with analysis provided of overall trends in resources flows;

(b) Making available a detailed breakdown of contributions to and expenditures of United Nations development operations for the previous year in October/November, both online and in an analytical policy brief, together with informative tables and figures;

(c) Strengthening policy analysis in the statistical compendium, with a greater focus on providing detailed data and information on funding flows online, as well as through periodic updates by the Secretariat on financial issues.

Enhancing online access to funding information

The Department of Economic and Social Affairs is in the process of designing a home page on the website of the Office for Economic and Social Council Support and Coordination that will provide online access to all financial information contained in the statistical compendium, as an interim measure until the central repository of CEB is operational. The new home page is expected to be launched in the latter half of 2010.

Annex II

Technical note on sources and coverage

For the purposes of the present report, the United Nations development system is defined as the 36 entities[a] that reported funding for operational activities for development (this does not include the Bretton Woods institutions). Operational activities for development of the United Nations system cover both activities with a development focus and activities with a humanitarian assistance focus. They relate to the work of those United Nations funds, programmes, specialized agencies, departments and offices that have a specific mandate in this regard.

Data on contributions and expenditures are obtained directly from United Nations funds and programmes (UNDP, UNEP, UNFPA, UNHCR, UNICEF, WFP, UNCTAD, ITC, UN-Habitat, UNODC, UNRWA), IFAD, UNAIDS, the regional commissions and specialized agencies (FAO, ILO, UNESCO, UNIDO, WHO, IAEA, IMO, UPU, WMO and the World Tourism Organization). Data on the contributions and expenditures of the Office for the Coordination of Humanitarian Affairs are gathered using its annual report, while data for ICAO, ITU and WIPO are derived from data on technical cooperation activities collected by UNDP and reported in the UNDP annual reports of the Administrator. Data on official development assistance are derived from the Development Assistance Committee annual reports. Data on multi-donor trust funds were obtained directly from the UNDP Multi-Donor Trust Funds Office.

Data on contributions refer to actual contributions for operational activities received in a given calendar year from Governments and other public and private sources by organizations in the United Nations system. Data on resource transfers from one agency of the system to another are excluded wherever possible. Data on expenditures represent the support provided by the organizations of the system for operational activities in developing countries. Contributions and expenditures are expressed in current United States dollars, unless otherwise stated.

Many entities do not use the terms "core" and "non-core" when classifying their resources. For example, WFP uses the terms "multilateral contribution" and "directed multilateral contribution" to define "core" and "non-core" resources, respectively. UNHCR uses the terms "unrestricted", "sector earmarked", "thematic earmarked" and "regional earmarked" to classify their contributions. Specialized agencies have assessed contributions or a regular budget which is supplemented by "extrabudgetary resources". For reporting purposes, all the above terms are grouped under "core" and "non-core" resources, with the former referring to unearmarked funding that is used at the sole discretion of the respective United Nations entity and its governing board, and the latter meaning earmarked funding that is directed by donors towards specific locations, themes, activities and operations.

The designations employed and the presentation of the information in the report do not imply the expression of any opinion whatsoever on the part of the

[a] ECA, ECE, ECLAC, ESCAP, ESCWA, FAO, IAEA, ICAO, IFAD, ILO, IMO, ITC, ITU, UNAIDS, UNCDF, UNCTAD, UNODC, Department of Economic and Social Affairs, UNDP, UNEP, UNESCO, UNFPA, UN-Habitat, UNHCR, UNICEF, UNIDO, UNIFEM, Office for the Coordination of Humanitarian Affairs, UNRWA, UNV, UPU, WFP, WHO, WIPO, WMO, World Tourism Organization.

Secretariat of the United Nations concerning the legal status of any country, territory, city or area of its authorities, or concerning the delimitation of its frontiers or boundaries. The term "country" as used in the report also refers, as appropriate, to territories or areas. A hyphen between dates representing years signifies the full period involved, including the beginning and end years.

Annex III

Differences in Organization for Economic Cooperation and Development/Development Assistance Committee and United Nations system reporting

There are a number of important differences between the way the United Nations and OECD/DAC define, classify and report contributions to the United Nations system. The use of different definitions and classifications by the United Nations and OECD/DAC means that the United Nations contributions data cannot be added to or compared with the OECD/DAC official development assistance data without considerable double-counting.

In United Nations statistics, both core and non-core funding from Governments to the United Nations system are classified as contributions to the United Nations for its operational activities. OECD/DAC classifies only core contributions from Governments as multilateral aid to the United Nations system, while non-core contributions, sometimes called "multibilateral" assistance, are classified as bilateral aid.

The United Nations includes non-core contributions in its estimates because it considers that the purpose of both core and non-core government contributions to the United Nations system is to support its operational activities. OECD/DAC classifies non-core contributions to the United Nations system as bilateral aid because it considers that donor Governments effectively control the use of non-core funds and that the United Nations entities are channels of delivery, as opposed to recipients, of aid.

This difference in the treatment of non-core contributions is the most important single cause of differences between the data published by the two organizations. This includes local resources contributions, which are not treated as contributions to the United Nations by OECD/DAC, as OECD/DAC would have already classified them as contributions either directly to the recipient country or to the relevant development bank.

In addition, United Nations figures include contributions to the United Nations system from all non-OECD/DAC countries, whereas OECD/DAC does not collect data from some large non DAC countries.

The United Nations data include contributions from non-governmental organizations and private organizations. In OECD/DAC statistics, these are recorded under the category of private flows (i.e., not official development assistance), and those extended to the United Nations cannot be separately identified.

There are also other reporting differences currently under review, such as contributions to the United Nations system for thematic programmes, still reported mainly by OECD/DAC as bilateral aid but included in the United Nations financial statistics. It is not only a classification problem but also a timing problem. For example, when a donor contributes money to a multi-donor trust fund, it is recorded as a disbursement by that donor (and thus by OECD/DAC) at the moment the donor makes the contribution to the United Nations administrative agent. However, there may be a delay before the United Nations administrative agent actually transfers funds to the implementing United Nations participating agency. Only at the time that funds are transferred to the participating agent are these recorded as income by the United Nations.

Annex IV

Key non-core funding modalities

Thematic funds

Thematic contributions remain a small source of funding for entities of the United Nations development system, except UNICEF. This form of contributions, however, may be considered the most attractive form of funding after regular resources and/or voluntary core funding, because such support is aligned with the strategic goals and priorities of the respective United Nations entity, while allowing for longer-term planning and sustainability. One advantage of thematic funds vis-à-vis other non-core funding modalities is lower transaction costs combined with less burdensome reporting, thus allowing more concentration on programming and achieving results. Member States may wish to discuss how to strengthen the role of thematic funds in the overall funding architecture of United Nations operational activities for development.

Multi-donor trust funds

As of the end of 2009, more than $4.5 billion had been invested in United Nations-administered multi-donor trust funds, with the vast majority of those resources being channelled through the United Nations Development Programme Multi-Donor Trust Funds Office. Fourteen of the 28 multi-donor trust funds administered by UNDP are Delivering-as-One-related.[a] The experience in the United Nations system in administering such funds in post-conflict contexts has been mixed.[b] The multi-donor trust funds are being used to address various humanitarian, recovery, reconstruction and development challenges that have become apparent at the country level as the result of "horizontal" programming, including the United Nations Development Assistance Frameworks. Such funds have well-defined objectives but operate outside the strategic planning framework of United Nations agencies, as special development situations cannot easily be foreseen and planned for. The multi-donor trust funds provide an instrument that enables United Nations entities to pool their technical resources to address difficult development challenges at the country level.

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[a] The experience of the United Republic of Tanzania suggests that the One UN Fund has fostered strategic focus, enhanced Government ownership, allowed for better performance on the Paris indicators, reduced transaction costs and competition for funds, served as a catalyst for the harmonization of business practices and allowed for better long-term planning, Multi-Donor Trust Funds UNDG donor meeting, 21 January 2010.

[b] Lessons from operating multi-donor trust funds in Southern Sudan suggest the following: (a) if there is more than one pooled fund in a country, a joint management and governance structure should be created to enable joint assessments and improve synergies; (b) pooled funding mechanisms must be given sufficient management capacity, including the deployment of sufficient numbers of appropriately trained professionals and allocations to cover necessary operational costs; (c) flexibility to respond to changing dynamics and insufficient Government capacity without compromising accountability must be included in the management arrangements of multi-donor trust funds; and (d) a core set of harmonized procedures and guidelines for the management and implementation of multi-donor trust funds, with specific fast-track provisions, should be developed to enable efficient and accountable strategic results aligned to national priorities, Multi-Donor Trust Funds UNDG donor meeting, 21 January 2010.

Local resources contributions

Governments often provide resources, either in cash or in kind, to United Nations agencies for development activities in their own countries. In 2008, local resources cash contributions, channelled by Governments in programme countries through United Nations agencies for expenditure in their own country, amounted to $1.73 billion. The top local-resources-contributing countries in 2008 were Panama, Brazil and Argentina, in that order.

Local resources contributions represent a large share of UNDP resources and reached $1.04 billion in 2008. This type of financing is most prevalent in middle-income Latin American countries, where the host country channels funds through the local UNDP office, which receives a management fee for that service.

Programme- and project-specific funding

As shown in figure IV, 75 per cent of non-core development-related contributions in 2008 were programme- or project-specific funding.[c] Such contributions are often of an unpredictable nature. The rapid growth in such programme- and project-specific funding in the past decade has been a factor in increasing transaction costs for United Nations entities. Negotiating individual funding agreements, tracking and reporting programming and financial data for hundreds or even thousands of individual projects, and reporting according to widely varying sets of requirements, for example, all add significant costs that fall outside of the organization's basic operating systems. As a result, agencies must juggle both large and small supplementary contributions in time frames inconsistent with their basic managerial processes. In some instances, supplementary funding is also still provided with conditions on monitoring and reporting that fall outside of the normal systems of the respective agencies. Such conditions are an important factor in increasing transaction costs.[d]

There are also concerns that rapidly rising programme- and project-specific funding may distort the work priorities of United Nations agencies mandated by the respective governing body. While most United Nations organizations try to ensure that supplementary funding is aligned with strategic priorities, all such financing to some extent distorts the substantive direction set by the respective governing body. This poses a particular challenge for standard-setting specialized agencies, which collectively have seen the share of core funding decline from 36.8 per cent of overall contributions in 2003 to 30 per cent in 2008.[e] In addition, activities funded by extrabudgetary financing are often not subject to full cost recovery, which, de facto, means that they are being subsidized by core resources.

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[c] This percentage would be 91 per cent if local resources contributions of programme countries are added, as they are single-donor programmes and project-specific.

[d] Discussion paper on the funding of United Nations technical cooperation activities, Lindores (2007).

[e] The ratio of regular/extrabudgetary resources among specialized agencies varies greatly. For ILO, for example, this ratio is much higher than the above figure, or above 60 per cent.

Annex V

Local resources contributions in Brazil in 2008 and role of United Nations entities

	UNDP ($104 million)	*UNESCO ($60 million)*	*UNODC ($39 million)*	*UNICEF ($7 million)*
1. Programme design	Projects developed jointly by UNDP and government executing agency	UNESCO leads in project design	Projects developed jointly by UNODC and government executing agency	UNICEF leads in project design
2. Programme review and approval	Projects are subject to UNDP project review and approval processes	Projects subject to UNESCO project review and approval processes	Projects subject to UNODC project review and approval processes	Projects subject to UNICEF project review and approval processes
3. Flexibility	Resources earmarked down to activity level	Resources earmarked down to activity level	Resources earmarked down to activity level	Resources earmarked down to sector level
4. Management and implementation	UNDP responsible for overall management and implementation with day-to-day project execution performed by national partner(s)	UNESCO responsible for management and implementation with day-to-day project execution performed by national partner(s)	UNODC assists with administrative issues including procurement and payments and provides substantive inputs to activities	UNICEF responsible for management and implementation with day-to-day project execution performed by national partner(s)
5. Monitoring and reporting on implementation	UNDP responsible for progress monitoring and reporting to national government	UNESCO monitors project implementation with government executive agency responsible for progress reporting	UNODC monitors project implementation with government executing agency responsible for progress reporting	UNICEF responsible for progress monitoring and consolidated reporting on thematic contribution
6. Programme support costs	Executive Board has set general management support fee at 3 per cent	UNESCO charges 5 per cent programme support cost	UNODC charges 5 per cent programme support cost	UNICEF charges 5 per cent programme support cost

Annex VI

Development-related contributions of OECD/DAC countries based on median funding/gross national income ratio

(Millions of United States dollars)

Country	*Actual contributions in 2008*			*Optimum levels based on median DEV/GNI*[a]			*Optimum levels based on median DEV/GNI*[b]		
	Core	*Non-core*	*Total*	*Core*	*Non-core*	*Total*	*Core*	*Non-core*	*Total*
Australia	59	131	191	90	109	199	90	131	221
Austria	24	15	39	40	48	88	40	48	88
Belgium	52	60	113	50	60	110	52	60	113
Canada	137	295	431	152	184	336	152	295	446
Denmark	189	99	288	34	41	75	189	99	288
Finland	100	47	146	26	32	58	100	47	146
France	161	54	215	281	341	622	281	341	622
Germany	203	125	328	366	444	810	366	444	810
Greece	11	11	22	33	40	74	33	40	74
Ireland	86	54	140	23	28	51	86	54	140
Italy	126	248	374	221	269	490	221	269	490
Japan	350	365	715	508	616	1 124	508	616	1 124
Luxembourg	21	67	88	4	4	8	21	67	88
Netherlands	332	311	643	85	103	187	332	311	643
New Zealand	20	14	34	12	15	27	20	15	35
Norway	330	350	680	43	53	96	330	350	680
Portugal	9	4	13	23	28	51	23	28	51
Republic of Korea	32	37	69	109	132	242	109	132	242
Spain	152	438	589	152	184	336	152	438	589
Sweden	310	251	562	49	59	108	310	251	562
Switzerland	107	52	160	44	54	98	107	54	161

Country	*Actual contributions in 2008*			*Optimum levels based on median DEV/GNI*[a]			*Optimum levels based on median DEV/GNI*[b]		
	Core	*Non-core*	*Total*	*Core*	*Non-core*	*Total*	*Core*	*Non-core*	*Total*
United Kingdom of Great Britain and Northern Ireland	298	452	750	295	358	653	298	452	750
United States of America	551	533	1 084	1 519	1 845	3 364	1 519	1 845	3 364
Total	**3 661**	**4 013**	**7 674**	**4 158**	**5 048**	**9 206**	**5 339**	**6 388**	**11 727**

[a] This column assumes that all OECD/DAC countries would contribute in accordance with the median DEV/GNI ratio, including those countries that contribute above the median DEV/GNI ratio.

[b] This column assumes that for those OECD/DAC countries that contribute above the average or median DEV/GNI ratio, those resources would remain unchanged. DEV/GNI is the development-related share of each OECD/DAC country's contributions to the United Nations development system.

Annex VII

Comparison of projected and actual contributions to four United Nations entities

The table below compares projected core and non-core funding to four entities as reflected in strategic plans with actual contributions received from development partners. The table shows that projected and actual figures, particularly for non-core funding, have varied considerably.

(Millions of United States dollars)

	UNDP				*UNICEF*				*UNFPA*				*WHO*			
	Core		*Non-core*		*Core*		*Non-core*		*Core*		*Non-core*		*Core*		*Non-core*	
Year	*Projected*	*Actual*	*Projected*	*Actual*	*Projected*	*Actual*	*Projected*	*Actual*	*Projected*	*Actual*	*Projected*	*Actual*	*Projected*	*Actual*	*Projected*	*Actual*
2000-2003			6 314	8 056					1 377[a]	1 051	140	412				
2000	800	634			643	563	435	576								
2001	900	652			701	551	453	674								
2002	1 000	663			588	709	610	745								
2003	1 100	762			585	732	610	956								
2004-2007			7 800	14 690					1 203	1 471	320	694				
2004	800	842			602	791	610	1 187								
2005	900	923			815	812	610	1 950								
2006	1 000	924			839	1 056	1 249	1 725					2006-2007	2006-2007	2006-2007	2006-2007
2007	1 100	1 119			869	1 106	1 275	1 907					915	909	2 398	3 072
2008-2011																
2008	1 100	1 097	3 900	4 156	900	1 085	1 301	2 305	416	429	200	366				
Total	**8 700**	**7 616**	**18 014**	**26 902**	**6 542**	**7 405**	**7 153**	**12 025**	**2 996**	**2 951**	**660**	**1 472**				

Source: Projected figures for UNDP, UNICEF and UNFPA are collected from strategic plans or multi-year funding frameworks. Projected figures for WHO are collected from the WHO proposed programme budget.

[a] The strategic plan projected core contributions to be in the range of $1,294 million to $1,460 million.

Annex VIII

Measuring the level of concentration of the work of United Nations entities

Rank	*Entity*	*Total country expenditures (millions of United States dollars)*	*Entity share of total country expenditures (percentage)*[a]	*Number of programme countries*[b]	*Number of countries above share*[c]	*Concentration factor (percentage)*[d]
		A	**B**	**C**	**D**	**E**
1	UNRWA	807	5.7	4	4	100
2	ITC	6	0.0	28	23	82
3	UPU	2	0.0	38	30	79
4	UNWTO	2	0.0	21	16	76
5	Office for the Coordination of Humanitarian Affairs	85	0.6	27	20	74
6	ECLAC	3	0.0	14	10	71
7	WIPO	8	0.1	31	22	71
8	UNEP	14	0.1	34	24	71
8	ITU	2	0.0	17	12	71
10	UNFPA	430	3.1	122	86	70
11	UNAIDS	40	0.3	98	69	70
12	IAEA	65	0.5	116	81	70
13	IFAD	450	3.2	89	61	69
14	UNDP	3 814	27.1	149	97	65
15	UNCTAD	14	0.1	62	39	63
16	WMO	3	0.0	8	5	63
17	UNHCR	1 312	9.3	121	71	59
18	UNICEF	2 639	18.8	125	64	51
19	FAO	417	3.0	155	79	51
20	ILO	95	0.7	94	47	50
21	UNODC/UNDCP	120	0.9	54	25	46
22	UNIDO	84	0.6	103	41	40
23	ICAO	57	0.4	68	26	38
24	UN-Habitat	65	0.5	45	17	38
25	WFP	3 357	23.9	86	29	34
26	Department of Economic and Social Affairs	23	0.2	12	4	33
27	UNESCO	136	1.0	127	27	21

[a] Column B: each entity's share of total country-level expenditures for operational activities for development.
[b] Column C: number of programme countries where expenditures were reported by the respective entity in 2008.
[c] Column D: number of programme countries where the entity's country-level share of expenditures was higher than its global average (as reflected in column B).
[d] Column E: column D as a percentage of column C.

Annex IX

List of tables posted on the website of the Office for Economic and Social Council Support and Coordination Development Cooperation Policy Branch*

A. Contributions for operational activities for development

1. Contributions by entity: 2003-2008
2. Contributions by entity, core and non-core resources: 2003-2008
3. Top 50 contributing Governments to development-related activities: 2008
4. Contributions by all sources, core and non-core resources: 2008
5. Contributions by non-OECD/DAC countries, core, non-core and local resources: 2008

B. Expenditures on operational activities for development

1. Expenditures by entity: 2003-2008
2. Top 50 programme countries of the United Nations development system: 2008
3. Expenditures on all programme countries: 2008
4. Expenditures by region: 2008
5. Expenditures in least developed countries: 2003-2008
6. Expenditures in sub-Saharan Africa: 2003-2008
7. Expenditures by sector: 2008

C. Multi-donor trust funds administered by UNDP

1. Donor contributions received by the UNDP Multi-Donor Trust Funds Office: 2004-2009
2. Funds transferred to participating organizations by the UNDP Multi-Donor Trust Funds Office: 2004-2009

D. Country classifications

1. List of least developed countries
2. List of countries by region
3. List of countries by income group

* See www.un.org/esa/coordination/dcpb_stat.htm.